

An Anglo-German Foundation Report

Reinventing the Public Employment Service: The changing role of employment assistance in Britain and Germany

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Executive Summary

This report contains the findings of a twelve-month project exploring reform of the public employment assistance regimes for workless people under way in Britain and Germany. The research involved an extensive literature review, analyses of labour market data, interviews with senior national officials and experts, and case studies in four cities.

The report has four chapters:

Chapter 1 describes the key characteristics and development of the employment assistance and benefit systems in each country. It reveals that the British system has radically changed into an employment assistance regime geared to remind the unemployed of their jobseeking obligations and, through regular contact, to encourage them to seek and take up available unsubsidised jobs. Unemployed people in Germany have similar obligations to seek suitable work, but in practice there was, at the time of our study, far less emphasis on monitoring individual job search.

Chapter 2 compares and contrasts data on trends in employment, job search, and benefit populations. The public employment service (PES) in each country is significant in connecting unemployed jobseekers with vacancies, and appears still more important for the long-term unemployed. While unemployment has fallen rapidly in Britain, the difference in the overall population of working age people reliant on the benefit system in each country is less significant. Evidence suggests that Britain's 'stricter benefit regime' has been associated with an increase in the number of people claiming 'inactive' sickness and disability benefits.

Chapter 3 outlines the 'welfare to work' reform strategies under implementation in Britain and Germany. The British strategy has been underpinned by steady employment growth, extensive fiscal policies that 'make work pay', and New Deal employment

programmes for the long-term unemployed. German unemployment and long-term unemployment has increased as the economy has absorbed the twin 'shocks' of reunification and European Monetary Union. Major reform is under way with the Federal Employment Service (FES) responsible for delivering a new integrated benefit for the uninsured unemployed, creating new working relationships with Local Authorities (LAs), and redesigning its front line services.

In both countries the scale, complexity, and pace of change is unparalleled. Our case studies in Chapter 4 reveal implementation pressures at both management levels and the 'front line' where advisers and job brokers are expected to translate policy design into effective daily practice. While many of the issues identified are acute, especially in Britain, precisely because this is a period of front line transition, some reveal longer term challenges. The following conclusions aim to inform the process of change:

1. A merger and organisational change on the scale of Jobcentre Plus or the German Jobcentres requires a clear and widely understood implementation plan and a timescale of several years. An expectation of immediate change raises a danger that reforms are not fully completed before the next wave of policy change. There is concern especially in Germany that simultaneous change of an employment assistance regime in all its major respects may be self-defeating.
2. Effective employment assistance reform demands the commitment of middle managers and professional staff. An announcement of major staff reductions mid way through the change process, as has happened in the UK or as suggested at earlier stages of discussions on reform in Germany, damages staff morale, worsens industrial relations, and consequently may undermine implementation.
3. Organisational mergers carry the risk of being perceived as 'takeovers' by those working in the services now apparently less favoured. In Britain tensions have been exacerbated by priority being given to the 'front office' in contrast with the treatment of the 'back office' of benefit processing. In Germany, little consideration was given to the role of LAs or to how local consortia were to deliver an integrated employment assistance and benefit administration service. There seems to have been little attempt to systematically learn lessons and share best practice from experimental joint FES and Local Authority (LA) Jobcentres.
4. The purpose of 'activating' employment assistance is to make workless people engage in employment-focused activities in a new way. This is likely to be effective only if the 'customers' perceive increased opportunities in so doing. Financial incentives are an important component but work effectively only when sufficient time is taken to fully explore employment barriers and individual circumstances, and to improve financial literacy with client groups who may be sceptical, in debt, or perceive only marginal advantage in making the transition to work.
5. Sanctions are a necessary element of 'activation', but care must be taken in their application. Evidence from Britain suggests that vulnerable claimants, such as those whose first language is not English, experience sanctions disproportionately to those who can 'work the system'. There is evidence too that the quasi-legal administrative process of imposing sanctions, especially on non-attendees, has a disproportionate impact on the workloads of advisers, distracting them from the task of employment assistance. It also may lead to passive rather than active

engagement with individuals simply being recycled through employment programmes.

6. 'Activating' employment assistance means changing the orientation and behaviour of jobseekers through interaction with Personal Advisers (PAs) and case managers. Externally, the customer management system should facilitate settings for undisturbed interaction of adequate duration, depending on the target and complexity of that interaction. The crucial internal factor concerns the skills, abilities, and motivation of the PA to use the setting effectively. In Germany, staff will need to utilise stronger interpersonal skills as they more regularly meet with the longer term unemployed. In Britain it involves identifying and rewarding effective practice and better preparing those staff now expected to engage with clients on disability benefits and/or with caring responsibilities.
7. A key lesson from Britain is that the physical design of a 'Jobcentre' affects interactions and creates a social environment for jobseekers that can improve their self-esteem and encourage their focus on finding a job. Significant thought has been given to the physical and virtual design and accessibility of the service and to the implicit messages sent to both jobseekers and staff. In Germany little thought appears to have been given to such matters, other than the creation of a new 'front end' reception desk to better manage customer flow. As it stands, the new system will be locked into a delivery model dictated by the large centralised office blocks that the FES acquired in the era of contribution surpluses.
8. In both Britain and Germany, the Information Technology (IT) systems currently used appear to fall far short of the requirements of integration, with the merger of systems, organisations, and processes multiplying their interfaces and incompatibilities and requiring many 'work arounds' by front line staff who often have to resort to 'paperwork'. There is a critical challenge in both systems to obviate these IT inadequacies as they may well undermine an otherwise sound and well-implemented organisational reform.

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Notes to the editor:

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