

MUTUAL LEARNING PROGRAMME:
PEER COUNTRY COMMENTS PAPER GERMANY

Labour Market Policy for Lone Parents in Germany

Peer Review on “Pathways to Work for Lone Parents ”
Northern Ireland, 10-11 May 2009

A paper submitted by Hugh Mosley
in consortium with GHK Consulting Ltd and CERGE-EI

Date: 26/04/2010, revised 14.05.10



This publication is supported for under the European Community Programme for Employment and Social Solidarity (2007-2013). This programme is managed by the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

The seven-year Programme targets all stakeholders who can help shape the development of appropriate and effective employment and social legislation and policies, across the EU-27, EFTA-EEA and EU candidate and pre-candidate countries.

PROGRESS mission is to strengthen the EU contribution in support of Member States' commitments and efforts to create more and better jobs and to build a more cohesive society. To that effect, PROGRESS will be instrumental in:

- *providing analysis and policy advice on PROGRESS policy areas;*
- *monitoring and reporting on the implementation of EU legislation and policies in PROGRESS policy areas;*
- *promoting policy transfer, learning and support among Member States on EU objectives and priorities; and*
- *relaying the views of the stakeholders and society at large*

For more information see:

<http://ec.europa.eu/social/main.jsp?catId=327&langId=en>

<i>The information contained in this publication does not necessarily reflect the position or opinion of the European Commission.</i>
--

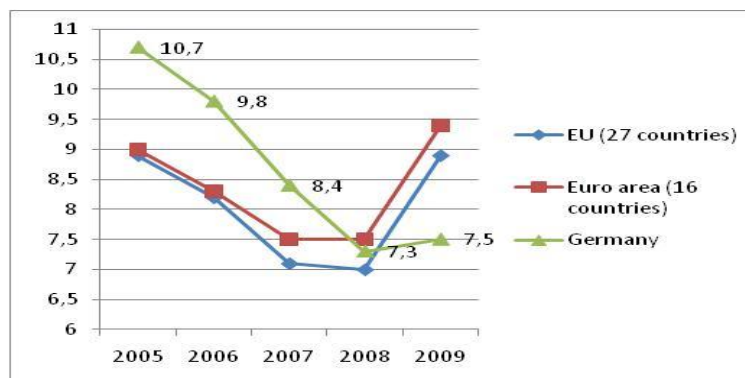
CONTENTS

1	LABOUR MARKET SITUATION IN THE PEER COUNTRY.....	4
2	ASSESSMENT OF THE POLICY MEASURE.....	5
3	ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY.....	7
4	QUESTIONS	9
	ANNEX 1: SUMMARY TABLE.....	10

1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

The impact of the strong economic recession on the German labour market has been ameliorated by labour market programs and, in particular, heavy use of short-time work. Thus while Euro zone unemployment rose from 7.9% to 9.4% the German unemployment rate rose only slightly (7.3 to 7.5%). In January 2010 the ILO unemployment peaked at 7.9% with large regional differences (e.g. Berlin = 15%), in contrast to the 9.9% for the Euro zone.

Trends in German Unemployment, 2005-2009



Source: Eurostat

Characteristics of lone parents

In Germany there are an estimated 1.6 million lone parents with children under 18 representing 18% of all families with children (26% in eastern Germany) and 6% of all households. As in many other countries the size of this group has grown remarkably over the last 10 years. While most lone parents are employed and rely primarily on their own earnings, about one third relies mainly on social assistance. Noteworthy is that lone parents do not differ greatly from those living with a partner in their level of education and training or in their pattern of labour force participation, which rises rapidly with the age of the youngest child. There is a significant difference in labour force participation (23.5% among women in single parent households compared to 30.6% among women in two parent households) only for lone parents with children under the age of 3. The principal difference between lone parent households and those living with a partner is that they have significantly less financial resources and correspondingly a higher risk of poverty – double that of the average household.

Lone parents on social assistance

Lower incomes mean that a higher percentage of lone parents depend on social assistance and are, therefore, a major target group for public labour market policy. In Germany around 41% of all lone parents receive social assistance benefits (*Basic Income Support*). Lone parents thus constitute one of the largest target groups among social assistance recipients (18%) and tend to remain on benefits for a relatively long period (2/3 for at least one year and 45% for at least three years). The most important determinants of the duration of dependency are the age of the youngest child and the number of children. The incidence of dependence on social assistance is highest for lone parents with children under 3 years of age (75%), persons under 25 years of age (70%) and for those without vocational training or higher education (60%). Ninety-five percent of lone parents on social assistance are women. Among lone parents on social assistance 40% have earnings from employment,

either regular employment (10%), work-for-welfare¹ or other subsidized employment (30%), but remain entitled to benefits because of low earnings.

2 ASSESSMENT OF THE POLICY MEASURE

German policy context

There are currently no targeted national labour market programs for lone parents on social assistance in Germany. The German policy context differs from that in the UK in a number of important respects. Most importantly, responsibility for lone parents is divided between several institutions and is considerably more decentralized than in the UK.

In 2005 the previous system of municipal responsibility for the unemployed on social assistance, including most lone parents on benefit, was replaced by a largely nationally funded but locally administered program, Basic Income Support for Jobseekers. The 350 local Jobcentres (“Arbeitsgemeinschaften”) are jointly managed by the PES and the local authorities and responsible for providing not only means-tested benefits but also for reintegration services to all employable social assistance beneficiaries, including social services provided by the local authorities.

The Jobcentres are established on the basis of a formal agreement between the local authority and the local PES. There is a clear division of labour in the Jobcentre between the PES and the local authorities. The PES is responsible for the financing and implementing Federal labour market measures and for the administration of income support benefits, while the social agency of the local authority is responsible in particular for the provision of supportive social services such as child care, debt counselling, socio-psychological counselling and drug counselling as well as housing subsidies. The Jobcentres are required by law to provide a personal counsellor and to conclude a reintegration agreement with each client. The details of the work process and service delivery are largely at the discretion of the local parties and not nationally mandated. This means that specialized services for lone parents are at the discretion of the local agencies. The principal goal of the reform was to provide a one-stop-shop for municipal social and PES labour market services for clients many of which have complex needs and multiple labour market problems. Lone parents on social assistance should benefit especially from this reform, since they gain access to work-oriented labour market services.²

The Federal Employment Service (PES) is a quasi-independent administrative agency under the jurisdiction of the Federal Ministry for Labour and Social Affairs (Labour Ministry). It is responsible for employment services for the relatively small fraction of unemployed lone parents eligible for unemployment insurance benefit based on previous employment.

Other important policy actors with regard to unemployed lone parents are the Federal Ministry for Families (BMFSFJ) and the labour market and social policies of the Länder in German federalism. Both administer co-funded EU programs that are important in this policy area.

Policy and programs for lone parents on social assistance

There has been in recent years an increased focus on family policies, including the concerns of lone parents, which is continuing under the current government. The national Basic Income Support for Jobseekers, introduced in 2005, has served to focus attention in

¹ So-called one Euro jobs.

² In addition to the Jobcentres there are 69 experimental municipalities in which local authorities alone were given complete responsibility for both labour market and social services for social assistance recipients

the area of labour market policy in particular on the large group of unemployed lone parents on social assistance.

Although lone parents have recently been given a prominent place in the national policy agenda, targeted national policies for unemployed lone parents are still in a developmental stage. The overall policy perspective is broad, reflecting the very diverse needs of lone parents and the range of policy actors and areas concerned. The problems of lone parents are not regarded exclusively, or even primarily, as labour market problems but rather as stemming from the broader social environment (e.g. availability of day care, enforcement of alimony and child support payments, law on foreigners, work incentives, regulation of low wage work, school reform, discrimination in employment, etc.). Finally, because the number of programs and actors providing support and services for lone parents is large and diverse, a major current policy focus is on promotion of policy co-ordination networks among the diverse actors and services available at the local level.

Two recent pilot policy initiatives illustrate these policy concerns and may be the forerunners of a larger national special program for lone parents. The project “Compatibility of Family and Career for Lone Parents (Family Ministry, 2009-2010) provides limited financial support for 12 local pilots. The focus is less on the provision of new services than on better co-ordination of the many existing forms of support already available and improved counselling. “Good Work for Lone Parents”, 2009 - 2013 (Labour Ministry): funds 79 innovative pilot projects for lone parents on social assistance (SGB II). The overall goal of the diverse projects is to identify strategies and approaches for reducing dependence that could be transferred to other regions. Both of these projects are co-financed by the European Social Fund.

The German labour ministry apparently plans to introduce two changes designed to improve the responsiveness of Basic Income Support agencies to the needs of lone parents: (1) annual performance targets for services for lone parents are to be included in the performance management system for these agencies; (2) the agencies are to be required to designate an equal opportunity officer responsible for gender issues and the special concerns of lone parents.

Lone parents in the implementation process in Germany

In general it should be noted that the 2005 Basic Income Support reform has greatly expanded access to labour market services for unemployed lone parents, who previously had only limited access to PES programs. Moreover, the involvement of the local authorities in the new joint agencies or one-stop-shops is supposed to give lone parents, and other long-term unemployed with complex needs, better access to day care and other municipal social services.

However, apart from special ad hoc national programs, labour market policies in Germany are not strongly target-group oriented – as appears to be the case in the UK - but serve clients based on their type of benefit entitlement. This is also true of the Basic Income Support agencies, although they are expected to provide more individualized services to clients with complex needs. This delivery system, is, however, highly decentralized with considerable local variation in organizational goals, work organization and the type of ALMP measures offered.

According to a recent (2008) empirical survey of the implementation process in Basic Income Support agencies, only about one half of the agencies questioned named support for lone women with children under the age of three as a business goal (single parents with children under three are by law not required to seek work). By contrast, almost all agencies named support for lone parents with older children as a goal. However, only 2% reported having any type of special team or service point for women. Much more frequent were specialized services for youth and young adults, as well as for migrants, ex-offenders and the homeless. In about one third of the agencies there are, however, one or more types of

specialized contract measure designed to meet the special needs of lone parents (most frequently part-time training and other part-time measures).

Other general regulations and support policies

A number of relevant general policies should be mentioned:

1. Child care: There is a major push toward the expansion of the availability of child care in Germany from which lone parents benefit especially. In 2009, 20.4% of children under 3 were in child care with a goal of 35% by 2013. However, in early years child care, there are significant variations at regional level, with the eastern German regions (46%) generally meeting the Barcelona targets while regions in western Germany (14,6%) often lag far behind. Ninety-two percent of children aged 3 to 6 were in child care. Recent legislation makes child care a legal entitlement for all children one year of age or older. Child care appears to be more readily available and affordable in Germany than in Northern Ireland, although exact figures are not available. A major criticism of existing child care arrangements is that they are not sufficiently flexible since many lone parents on welfare seek low-paying jobs in sales and services, which frequently require work in the evening or on weekends.
2. Statutory leave schemes make it easier to combine work with family responsibilities: For example, lone parents can take up to 14 months leave from their previous job while receiving 67% of their previous net wages. Lone parents with children under 12 are entitled to 20 additional days of sick leave with pay per year.
3. Child support payments: 81% of single parents report that they are entitled to child support payments but only one half of these receive support regularly and in the full amount. German law provides for state payment of a special child support advance (currently €133 / €180 per month for children under 6 and 6 to 12) and undertakes to enforce payment. Lone parents on social assistance do not, however, benefit financially since it is deducted from their benefit entitlement.
4. Incentives: Lone parents receive somewhat more generous benefits than other clients on social assistance (Alg II). Moreover, in Germany it is possible to combine work and social assistance and the first €100.00 per month in earnings is tax free and not deducted from their benefit entitlement.³ Critics argue that benefit levels are too high in comparison with lower income service sector jobs that many clients might realistically find. According to the OECD study there is little incentive to take up full-time work. A lone parent with 2 children on social assistance in Germany receives 78% of the net income of a low wage worker (2/3 of average earnings) (UK =73%; 2008). The problem is not the level of benefits but the faulty synchronization of benefits, taxation and regulation of earnings for low wage employment.⁴

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

There are strong similarities between the UK and Germany in the problem description: high rates of lone parents with lower employment rates and high rates of dependency, with all its consequences for poverty and child poverty.

The labour market services available to lone parents under the Northern Ireland pilots appear on the face of it well suited for this clientele. The same services can in most cases be found in the spectrum of services available in the German delivery system. In contrast to

³ 80% of earnings above €100 are deducted from the benefits.

⁴ Immervoll, H. "Minimum Income Benefits in OECD Countries: Policy Design, Effectiveness and Challenges", *OECD Social, Employment and Migration Working Papers* No. 100, OECD :2010

the UK, however, the German service delivery system is more complex and fragmented and labour market services for lone parents in Germany have not been institutionalized in a special national target-group oriented program like Pathways to Work for Lone Parents /StW in Northern Ireland. On the one hand, this may make the Germany delivery system more flexible and better adapted to local needs and existing municipal services, on the other hand this complex structure entails a much greater need for co-ordination of diverse actors, especially at the local level. Any policy transfer needs to be adapted to these systemic features.

A dedicated personal adviser (or team) that deals exclusively with lone parents is, as noted above, relatively rare in Germany and depends on decisions about process organization that are made by the local agencies. The basic dilemma is that there are numerous client groups that 'compete' for scarce resources (e.g. youth, older unemployed, migrants, displaced workers, the disabled) the importance of which varies locally. Focusing resources on one group may improve services for it but at the expense of others. Whether and which target-group oriented process organization is chosen depends on numerous factors such as local agency operative goals, the relative size of the target group locally and personnel capacities. For example, lone mothers on social assistance tend to be a more concentrated in larger cities where more dedicated services are usually available. Dedicated forms of service provision presuppose higher client volumes than are found in smaller towns and rural areas. According to the discussion paper, the dedicated specialized lone parent advisers no longer even exist in Northern Ireland because of personnel shortages as a consequence of the recession. Moreover, the need for specialized PES services depends on the availability of these services through other external service providers (local authorities, the non-profit sector etc.) in the region.

An intermediate solution for the special needs of particular clients groups such as lone parents can be at the level of the externally contracted specialized programs and measures. In smaller offices this may require cooperation, for example, in the form of pooling of clients from neighbouring offices.

"The Work Focused Interview" adjusted to the age of the youngest child is appropriate and apparently effective. It is not, however, self-evident that a work first policy is in the interest of all lone parents. This is especially the case for young lone parents who are lacking in education and vocational training and need to be encouraged to overcome these deficits rather than entering low wage work. In general the information available on the pilots gives the impression that lone parents on benefit are a homogenous group, which is clearly not the case. German data suggests that the gap in the employment rate is primarily for lone parents (mothers) with small children less than three years of age.

"Return to Work credit": Incentives for lone parents on social assistance to enter employment are surely an important policy question, and not only for lone parents. It is difficult to assess the "Return to Work credit" without knowing much more about the overall incentive structure for lone parents in Northern Ireland. As the discussion paper makes clear, incentives may be a particular problem because UK-wide benefit levels are not adjusted to reflect lower average wages in Northern Ireland. The basic idea of improving work incentives is very relevant to Germany and transferable, however not necessarily this particular form.

According to the report and the discussion paper, day care is the biggest practical problem of lone parents in Northern Ireland and not adequately addressed by the pilots. It is not clear how effective the subsidies for child care mentioned (WPPLP, Tax credits") actually are. According to the discussion paper WPPLP has very low uptake.

As the evaluation makes clear, actual experience with the Pathways to Work for Lone Parents (except for the dedicated advisers and perhaps Work Focused Interviews) is inconclusive at best. Many elements of the program have, for reasons that are unclear,

very low uptake (e.g. Work Emergency Fund, the Work Preparation Program) and deadweight appears to be high.

Two features of the NI program should be of interest to German policy makers in spite of the differences between the two countries:

1. Progressive intervention with career-oriented counseling for single parents, even prior to the point at which they have an obligation to be available for work. Currently in Germany the exemption of parents with children less than three years of age results in a widespread neglect of earlier intervention for this target group.
2. Better off calculation: In very complex systems of social benefits such as in Germany the incentive for work are not transparent for social assistance clients (or even for policy makers).

4 QUESTIONS

- It is not clear how the current pilots differ from NDLP or what shortcoming in the existing program they address.
- Why is uptake in some services offered by the pilots so low (e.g. WPPL, child care costs)? Is NDLP/StW, the WPPL voluntary?
- How are labour market services linked with social services like child care, debt counselling, etc.? Are the subsidies for child care mentioned sufficient to secure necessary services?
- Please clarify the discussion at the end of the discussion paper on the relationship between benefit reform and the pilots.

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
• 7.9% unemployment rate • Gap in employment rate for lone mothers only for those with small children • Lower household incomes of lone parents lead to markedly higher rates of dependence
Assessment of the policy measure
• In Germany policy on labour market services for lone parents decentralized • Few specialized labour market services and programs for lone parents • Issue now high on government policy agenda but only pilot programs • Major expansion of child care services underway
Assessment of success factors and transferability
• Target-group oriented processes play more limited role in Germany • Work first strategy less acceptable • Similar concerns about work incentives • Individual elements instructive but transferability limited
Questions
• How do current pilots differ from NDLP and what perceived shortcoming do they address? • Why is uptake for some services offered by the pilots frequently so low? • How are labour market services linked with complementary social services like child care, debt counselling etc.? Are the subsidies for child care sufficient to secure necessary services? • How do the pilots relate to the recent benefit reforms?