Integration subsidy

In 2011, the proportion of long-term unemployed people within all unemployed people in Germany was above the EU average. The practice is the single most important instrument to support the integration of hard-to-place jobseekers in Germany. Between 15 and 20% of active labour market policy expenditure is used for integration subsidies. The expenditure for integration subsidies are planned a year in advance. More than 250000 jobs are subsidised annually.

Name of the PES
Zentrale der Bundesagentur für Arbeit
Federal Employment Agency

When was the practice implemented?
1969 – on-going

Which organisation was involved in its implementation?
N/A

Which social groups were targeted by the practice?
▶ Older jobseekers
▶ Persons suffering from physical disability or illness

What were the practice’s main objectives?
Integration subsidies are aimed at preventing long-term unemployment, at the individual level, by paying firms a subsidy if they hire a person who is hard to place.

What activities were carried out?
PES officers in contact with employers propose several candidates from their lists matching their potential requirements. Usually, they mark some of the applicants as candidates who may be subsidised. It is also possible for potential employers to apply for a subsidy when they think it may be justified due to specific characteristics of the candidate. The employer and the PES office then evaluate whether a subsidy is necessary in each individual case. Based on this information, the PES decides whether to grant the subsidy. Subsidies are paid as a part of the workers’ wage costs (usually 30-50% for 3 to 12 months, for a maximum total duration of 36 months), thus compensating employers for the additional work in training the workers and for the workers’ performance restrictions.

What resources and other relevant organisational aspects were involved?
Integration subsidies are regulated by the German Social Code (art. 217 ff. SGB III). Guidelines at the central level of the public employment service as well as at the local level by the management of local PES define in detail when an integration subsidy is appropriate. The number and cost of these subsidies are monitored at the local level.
PES officers involved in job placements can decide on the integration subsidy on a case-by-case basis. Indeed, integration subsidies can only be used by PES officers, not by private agencies. However, other actors may use other funds to supplement integration subsidies.

Source(s) of funding
Social contributions

What were the outputs of the practice: people reached and products?
People reached:
250000 new job entries with integration subsidies per year (2008-2011).
Integration subsidies are involved in 10-20% of all job entries managed by the PES.
Products:
The local PES office usually reports the specific conditions of the integration subsidy in their newsletter for local enterprises.

What outcomes have been identified?
Around half of the subsidised persons are still working in the enterprise after 12 months. In comparison, about one third of comparable non-subsidised persons are in that situation.
### What are the lessons learnt and success factors?

Evaluations of the practice show that employment of subsidised persons is more stable: after 12 months, half of the subsidised persons are still in the enterprise compared to about one third of comparable non-subsidised persons.

Subsidised persons remain in employment longer: after 42 months, they are in employment on average two months longer than non-subsidised persons.

In comparison, subsidised and non-subsidised workers receive similar wages. Due to their longer employment, the total income of subsidised persons is higher than that of comparable non-subsidised persons.

However, the evaluations also noted that there is a risk of dead-weight losses which is difficult to quantify.

### More information on the practice


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