



Long-Term Unemployed Need Efficient Help

As part of the German labor market reforms of 2005, the Federal Employment Agency (BA) and the municipalities were given shared responsibility for the long-term unemployed within the so-called *ARGE*n (job centers). This practice of mixed administration was ruled unconstitutional by the Federal Constitutional Court, which called upon the legislators to revise the law until 2010. The necessary revision would be a good chance to correct other deficiencies of the current institutional setting. Most importantly, the problem groups of the labor market need efficient help at an earlier stage of their unemployment spell. This help is currently impeded by an organizational maze of unclear responsibilities: Although *ARGE*n have been established in most districts, some municipalities were allowed to opt out (*Optionskommunen*) and some others simply failed to reach a cooperation agreement with the local employment agency. These municipalities are now working on their own and independently from the local employment agency.

Instead of generally legalizing the *ARGE*n by a constitutional amendment, the federal government is planning to replace the *ARGE*n with a model of divided responsibilities. This would in fact institutionalize what came about as an “operational accident”: While 23 municipalities now practice a coexistence of welfare and employment agencies, this “third way” was not intended by the Social Code (*SGB II*), but merely resulted from the failure of the involved government agencies to agree on cooperation within the *ARGE*.

If this failure were legalized, the federal government would miss a great opportunity to substantially improve the provisions for the long-term unemployed. Although Germany’s rate of long-term unemployment has been declining slightly over the past years, it still remains exceptionally high by international standards.

In some ways, this dilemma is due to the fact that the organizational structure has not been sufficiently evaluated by independent research – although this was explicitly called for by the legislators. It is still unclear whether the municipalities or the *ARGE*n are more efficient at managing the long-term unemployed. Some studies find a small advantage for the *ARGE*n, but these results are not perfectly convincing in terms of methodology.

What is clear is that older, unskilled or immigrant workers, who are most prone to long-term unemployment, should receive reintegration assistance immediately after losing their jobs. A single institution should take care of them during the entire unemployment spell. But this approach becomes particularly problematic at the transition from unemployment benefits (*ALG I*) to welfare benefits (*ALG II*) because the unemployment insurance is administered by the BA, whereas the tax-funded welfare benefits are managed by the currently 350 independent *ARGE*n, 69 municipalities under the “opt-out” clause, and 23 non-cooperation cases with divided responsibilities.

The planned coexistence of different administrative bodies would jeopardize the progress that has already been made. The previous side effects would reoccur again: the organizational costs and frictions associated with double administration on the one hand, and confusion among the customers on the other. This is why the long-term unemployed need a one-stop shop. Policymakers are well-advised to create the legal setting for an independent organization that can handle this important task.



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