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# The Delivery of Employment Services

in a Multi-Country Case Study Series: Germany



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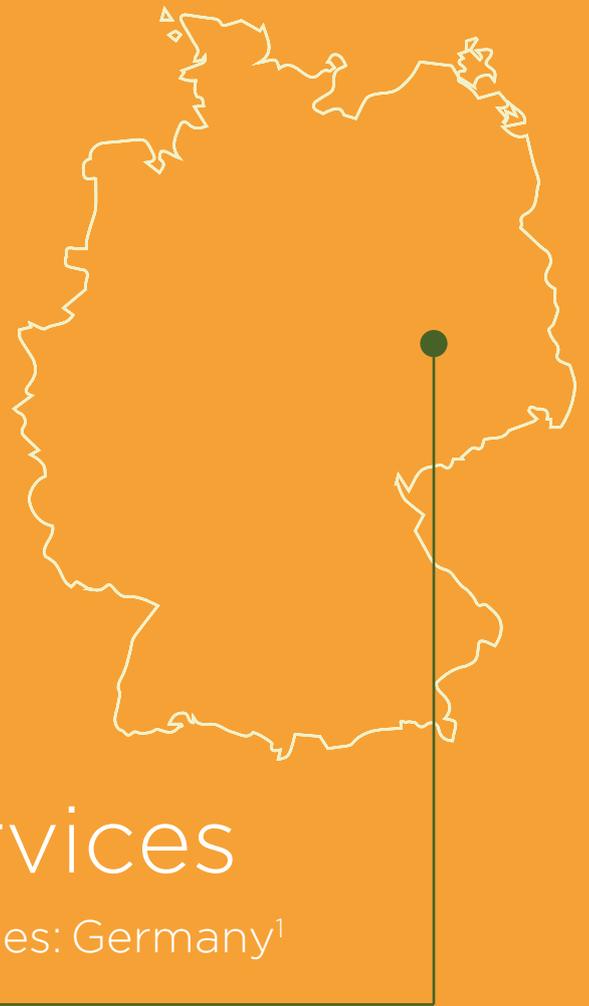
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# The Delivery of Employment Services

in a Multi-Country Case Study Series: Germany<sup>1</sup>

## The German PES

**Name:** Bundesagentur für Arbeit (BA) and municipal Jobcenters

**Main feature:** The German PES has a very comprehensive and far-reaching set of services for the different types of clients across the country. In addition, the government has developed a unique one-stop-shop system for working-age individuals claiming unemployment and social assistance. These centers run under strong public-to-public cooperation between municipalities and the federal PES to provide comprehensive services to low-income and unemployed claimants.

**Delivery model:** Delivery of employment services mostly in-house, with outsourcing for specific services such as training and rehabilitation services. The BA delivers and manages unemployment insurance benefits, while Jobcenters deliver means-tested minimum income benefits.

**Job seeker profiling method:** The PES uses a holistic caseworker-based profiling under the four-phase method: profiling, target definition, strategy setting, and implementation and monitoring.

**Public-private partnership (PPP) relationship:** The German PES works well with private providers in the outsourcing of specific services, it also has strong standards and a well-established monitoring system.

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## 1. Labor market context

The unemployment rates in Germany had been decreasing progressively after the 2008 economic crisis. The rate reached 3.2 percent in January 2020, according to the seasonally adjusted Labor Force Survey (LFS). This trend was accompanied by an increase in employment, which rose by 4.4 million people between 2009 and 2019. The main reasons for the employment growth were the increase in part-time jobs as well as the rise in employment rates among women, older workers, and migrants.

Despite these positive trends and relatively low unemployment rates, the country still faces severe challenges due to the present structural unemployment. The high rates are mainly explained by the digitalization of the economy and skill shortages across industries. Additionally, there are various vulnerable groups who continue to be unemployed, many of whom already face long-term unemployment (34 percent of all unemployed). About 20 percent of those registered at the German public employment services (PES) have been unemployed for more than two years; are not in employment, education, or training (NEETs); or belong to the older population. Additionally, a considerable number of people remain inactive.

The new strategy of the PES to address these challenges consists of prioritizing occupational mobility and the training and placing of vulnerable groups. Also, one of the focuses of recent active labor market programs (ALMPs) has been to reduce long-term unemployment by developing social labor markets for the very long-term unemployed. Other key strategies include getting underprivileged young people into vocational education, training, and work as well as integrating those with disabilities into the labor market. Additionally, the country has set the goal of addressing the current skill shortages, which are mainly visible in the health, construction, and manufacturing sectors, as well as in information and communication technology (ICT) roles. To tackle these

shortages, the Federal Parliament passed the Skilled Workers Immigration Law in March 2020, which eases the access to the German labor market for highly skilled professionals and workers from third countries.<sup>2</sup>

## The COVID-19 pandemic

Even with signs of stagnation in the employment growth pre-pandemic, significant changes caused by the crisis were visible by the beginning of 2020. The employment rate decreased by 2.1 percentage points from the fourth quarter of 2019, while the unemployment rate increased by almost 1 percentage point from pre-pandemic levels, reaching 4.1 percent according to the LFS.<sup>3</sup> To manage the impact of the pandemic on the labor market, the government relaxed the restrictions to qualify for short-term work. The scheme was significantly expanded, as reflected by the expenditure of the PES during 2020, which had to allocate over €22 billion for beneficiaries.<sup>4</sup>



## 2. Organizational structure for the delivery of passive and active labor market programs and employment services

The public employment services in Germany are divided into two primary types of agencies responsible for service provision: the BA and the Jobcenters, which are the employment centers managed by the municipalities. These two make up the core of the PES delivery across the country, and their responsibilities are set by the two categories of benefits available for working-age people (BA (Bundesagentur für Arbeit), 2021).

- 1) **Unemployment insurance benefit (UB I) claimants are the responsibility of the local PES offices of the BA.** These local units are responsible for offering benefits and employment services to those insured. In addition, they also provide several services for job seekers who are not eligible for any of the unemployment benefit schemes.
- 2) **Means-tested minimum income (UB II) claimants are the responsibility of the**

<sup>2</sup> Duell and Vetter 2020.

<sup>3</sup> Eurostat 2020.

<sup>4</sup> IAQ 2020.

**Jobcenters.** Jobcenters are jointly run by the BA and the municipalities; however, the municipalities can choose whether they run and manage their own Jobcenters or whether they allow the BA to take the lead. The current labor market framework creates a common structure for delivering employment services and activation requirements for means-tested minimum income recipients. Previously, each municipality delivered employment services and active labor market programs according to its own priorities, with often little to no cooperation with the BA. Now, the opt-out municipalities (those running their own centers) need to be approved by the government after documenting that they have the necessary institutional capacity.<sup>5</sup>

**The BA is the largest employment service provider, and it acts as a self-governing public body.** The agency is composed of a national head office, with 10 regional directorates below it. The directorates are responsible for the success of regional labor market policies and the coordination of services and tasks with the policies at the federal level. At the lowest level are the local employment agencies, which respond to the regional directorates' instructions. The agency's governance structure is defined by a board of governors at the federal level and local governance committees in the local employment agencies and branches. The BA has 156 local employment agencies with 600 branch offices. The main activities under the BA responsibilities include labor market information and publication of labor market statistics, management of UB I, administration of other related benefits, counseling and guidance to job seekers, vocational guidance, employer services, implementation of ALMPs, and job matching.

**The municipalities, which are responsible for the provision of services and benefits for those claiming means-tested minimum income, can decide whether they wish to cooperate with the BA for their service delivery.** From the 408 Jobcenters across the country, 303 are jointly managed by the BA and the municipalities. A crucial difference when the BA is involved in the Jobcenters is that it does not act as a self-administering body. Instead, the BA responds

to the Federal Ministry of Labor and Social Affairs for legal and policy issues in such instances.<sup>6</sup> The remaining Jobcenters are run under mandated cooperation between both parties. In such a case, the responsibility for all the service provision is devolved to the local government. These 'opt-out' municipalities are not part of the PES national performance management system and set their own local goals and operational aims regarding financial agreements and negotiations with their regional administration. They also create their service delivery models with no access to the national PES information technology (IT) infrastructure or support functions. Nonetheless, they are still subject to national financial and audit controls.<sup>7</sup>

**The services provided by the Jobcenters are mainly similar to those offered by the BA local units.** They register clients; provide benefits; and offer counseling, job placements, and referrals to ALMPs. However, due to the different eligibility rules and target groups, some variation in the service palette might exist, as well as differences in the agencies' monitoring strategies. In addition to employment services, Jobcenters are also expected to link their support to other social services that might benefit their clients. This includes services such as debt counseling, psychological support, and childcare services.

**A third key agency in the organizational structure of the PES is the Federal Ministry of Labor and Social Affairs.** The ministry is at the top of the hierarchical structure, and it is the main actor to which the BA must respond. Moreover, it is responsible for defining the ALMPs available across the country. The local units have flexibility in which instruments to implement and which program mix to choose; nonetheless, they must base their choices on the centrally defined framework, which determines the available program menu.<sup>8</sup>

**Besides setting the general framework, the Ministry of Labor and Social Affairs also leads and runs additional programs in cooperation with the local BA agencies and Jobcenters.** Some of these programs include the *Perspektive 50 plus*, which targets low or mid-skilled, older job seekers (age 50+) and a program aiming to reduce long-term unemployment across the

5 Alaref et al. 2018; Jacobi and Kluge 2007; Klueger 2015.

6 Klueger 2015.

7 European Commission 2014; Finn 2016; World Bank 2018.

8 Alaref et al. 2018.

country. Both of these programs have been typically implemented by Jobcenters.<sup>9</sup>

### Budgets and resources

**The budget for labor market measures is distributed annually to employment agencies and Jobcenters based on a set of criteria.** The employment agencies and Jobcenters then administer this budget on a decentralized basis, reporting on their spending and outcomes on a regular basis.<sup>10</sup> The principal source of funding for all the PES activities are employers' and employees' social security contributions. Additional amounts are often granted by the German government, the European Social Fund, and various other actors.<sup>11</sup>

**The BA spent €61 billion in 2020 to cushion the impact of the pandemic on the labor market.** In 2019, its expenditure was only €33.2 billion. Spending also exceeded the previous highest expenditure record from 2003 (€56.8 billion). The lockdowns in the spring of 2020 left 6 million employees on short-time work, presenting a significantly higher need for resources. Additionally, expenditure on unemployment benefits also increased, reaching €20.6 billion in 2020, compared to €15 billion in 2019.

**Passive measures, which cover unemployment and insolvency benefits, made up 36 percent of the expenditure in 2020.** Meanwhile, short-term work benefits accounted for 36.6 percent of the total budget. Programs promoting the activation of labor promotion represented 13 percent of total spending, while personnel and administration accounted for the remaining 14.4 percent.<sup>12</sup>

**The total full-time equivalent PES staff working in all areas of the BA were 94,833 in 2019.** Of those employed at the PES, 28.3 percent directly served clients by providing either counseling or job placement services.<sup>13</sup> When it comes to the jointly run Jobcenters, less recent figures are available. In 2013, 56,000 BA employees were working at jointly run Jobcenters together with 18,000 employees from the municipalities.<sup>14</sup>



### 3. Reforms

**The current organizational structure of the PES, the policy targets, and the ALMP portfolio are the result of a deep and partly controversial reform introduced in Germany in the early 2000s, when unemployment was at a higher level.** The reform was composed of four laws, known as the Hartz laws, which significantly modified the previous PES structure, outsourcing process, and benefit system. The reforms were a response to sluggish economic growth, high unemployment rates, and a reducing working-age population in the country. They aimed to tackle unemployment levels and increase labor force participation by incentivizing the unemployed to take up jobs, improve labor market services, and increase employment demand. The four laws acted as follows:

- **Hartz I (2003)** introduced new ALMPs and changes in the target population for training and job creation measures. Additionally, it led to the introduction of temporary agencies and external providers under the PES as well as the deregulation of private and temporary placement agencies.
- **Hartz II (2003)** mainly merged previous programs to create a new entrepreneurship subsidy and increased the scope of low-wage jobs (mini-jobs and midi-jobs), which could be taken for those claiming unemployment benefits.
- **Hartz III (2004)** completely restructured the PES by setting management at the national level, giving greater autonomy to the local units, and increasing the caseworker-to-job seeker ratio. Additionally, it made the entitlement conditions for unemployment insurance benefits stricter.
- **Hartz IV (2005)** merged two forms of income support, unemployment assistance and social assistance, into a single benefit: the UB II, for which Jobcenters became responsible. This new benefit requires beneficiaries to register at the PES and fulfil the indications set by the caseworker to improve their employability.

9 ICON Institut 2019.

10 Klueger 2015.

11 ICON Institut 2019.

12 IAQ 2020.

13 ICON Institut 2019.

14 Klueger 2015.

**Overall, the reforms had a positive impact on the German labor market,** mainly because of the reorganizations of the PES, the improved matching of labor demand and supply, and the efforts to incentivize the unemployed. The country experienced a substantial increase in labor force participation (4.9 percent increase between 2004 and 2011) and a rise in the employment rate (7 percentage point increase between 2004 and 2012). The latter was primarily due to nonstandard jobs such as temporary work and part-time employment, as well as a reduction in unemployment inflows and unemployment duration due to improved matching of labor demand and supply. The reforms also increased incentives to find employment through the creation of the combined UB II, leading to higher job-seeking activity and preparedness to take up lower-paid jobs.

**Nonetheless, the reforms were also followed by a growth in poverty and inequality.** Income inequality has been growing since the early 2000s (Gini coefficient increase of 3 points from 2000 to 2008) while the poverty rate has also increased, with the unemployed experiencing the most significant increase (from 41 percent in 2004 to 68 percent in 2010).<sup>15</sup>

**Additionally, the reforms have been at the center of a national debate, which has focused on finding a balance between providing a safety net for the population while enforcing the behavioral requirements and conditionalities.** The reform of UB II was accompanied by the introduction of a strict set of behavioral conditions that supported the reintegration of the person into the job market. If individuals fail to comply with these requirements under the new system, strong sanctions which lead to payment reduction are imposed. However, the sanctions introduced were quite severe, threatening the livelihood of some recipients. As a result, a judicial procedure was started, and a court ruling decided that sanctioning should not go below 30 percent of the basic UB II. Since then, sanctioning more than 60 percent of the benefit is regarded as being against human dignity and no longer allowed.<sup>16</sup>



## 4. Overview of passive and active labor market programs and employment services

### Unemployment benefits

**One of the main tasks of the PES agencies in Germany is issuing and managing unemployment benefits.** They also partially manage other benefits that are granted to those claiming unemployment benefits.

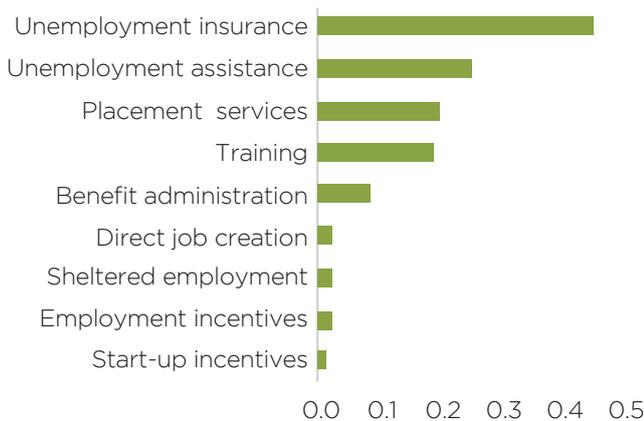
**UB I is a contributory, non-means-tested, and nontaxable benefit.** Those wanting to claim the benefit must be below the retirement age, registered as unemployed, and available and looking for work. Additionally, the person must have contributed toward the benefit for at least 12 months in the last two years. The benefit calculation is based on previous earnings net of tax and social security contribution, with a replacement rate of 60 percent of prior earnings for those with no dependents, and 67 percent for those with at least one dependent child. How long the payment is granted for depends on the age and employment record of the person, but the maximum duration is generally 12 months, with gradual increases for the unemployed over 50 years old.

**UB II combines two previous benefits:** unemployment assistance and social assistance, therefore also being available to some individuals in employment. Those eligible must either be still unemployed after their claim to the unemployment insurance benefit has expired or be employed but have insufficient income to secure their livelihood. The benefit is noncontributory, means-tested, and not taxable. The means test considers the income and assets of all household members to assess whether the person is eligible. In addition to the means test, the person must be at least 15 years old and below retirement age, be able to work, and usually reside in Germany. Furthermore, they must be registered at the PES and be available and looking for work if unemployed. The benefit is made up of a basic allowance and several additional allowances. The basic allowance secures the recipients' livelihood

<sup>15</sup> Bouvard et al. 2013; Jacobi and Kluve 2007.

<sup>16</sup> The Federal Constitutional Court 2019.

**Figure 1. Public expenditure as a percentage (%) of GDP - 2019**



Source: Data taken from Organisation for Economic Co-operation and Development (OECD) statistics.

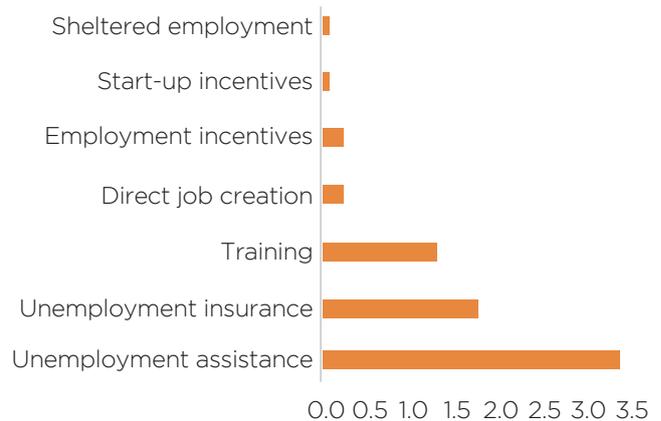
(food, household goods, and so on), including a lump sum for nonrecurring needs. The basic allowance is adjusted annually in line with the weighted average of the increase of the gross salaries and the prices of relevant goods and services. Access to the benefit is granted for an indefinite period if the eligibility criteria are permanently fulfilled. The needs are reassessed every six months to ensure continuous entitlement.<sup>17</sup>

As of 2020, the BA had around 970,994 registered unemployed claiming UB I, and the Jobcenters had 1,424,610 registered unemployed receiving UB II, making a total of 2,395,604 registered unemployed across the country.<sup>18</sup>

## Employment services and ALMPs

**Most of the programs and services offered by Jobcenters resemble those of the employment agencies.** All PES offices offer general programs for all job seekers and specialized programs for certain target groups, such as pre-apprenticeships for young job seekers and occupational rehabilitation for the unemployed with disabilities. The pre-apprenticeship programs, for example, play a fundamental role in helping young people to prepare better for dual vocational training since the beneficiaries are usually those who could not get an apprenticeship position. The preparation aims

**Figure 2. Participant stocks as a percentage (%) of the labor force - 2019**



Source: Data taken from OECD statistics.

to close learning gaps and improve skills.<sup>19</sup>

**The employment services include counseling through personal interviews, group briefing sessions, and additional support, such as medical and psychological services, if needed.**

Those claiming UB II also receive individual counseling and employment-oriented case management. In addition, all claimants of UB II must set up and sign an individual action plan for their reintegration into the job market. The PES also offers self-service facilities through vocational information centers, websites, and printed media, as well as a wide range of placement services, including personal interviews, job search support, and an internet vacancy database.<sup>20</sup>

**In terms of ALMPs, the primary programs offered by the PES are training courses.** The duration and the type of course offered depend on the job seeker's goals and qualifications. Training programs are usually outsourced through a voucher system. The PES also provides activation and integration interventions to guide job seekers into training or employment through tools such as temporary job placements and basic job training. Claimants receiving UB I are mainly placed in training measures and vocational guidance, whereas minimum income recipients are mostly referred to activation and job creation measures.<sup>21</sup> The PES also offers wage subsidies for employers in some cases, for

17 OECD 2020.

18 Duell and Vetter 2020.

19 European Commission 2015.

20 European Commission 2014; World Bank 2018.

21 Duell and Vetter 2020.

example, employers who hire job seekers with significant barriers, rehabilitation programs for those suffering from disabilities, and start-up subsidies for job seekers who want to become entrepreneurs.<sup>22</sup>



## 5 . Outsourcing of PES

**Several of the programs available to job seekers are not provided by the PES directly, but they are outsourced to external providers.** The main programs being outsourced include training, specifically soft-skill courses, vocational training preparation courses, and school-based training courses; rehabilitation programs for those with disabilities; special counseling for those with specific needs; and in some cases placement services.

**For training, the most used strategy is training vouchers.** Under this modality, the caseworker assesses each job seeker's need for a training course and grants a voucher. The job seeker can then redeem the voucher with an approved training provider. The training must be in line with the recommendations made by the PES counselor, which include the type of training, the duration, the cost, and in some instances even the geographical region where the training must take place. Certified training courses are listed in the online tool Kursnet, where job seekers can individually find the provider of their preference. The PES staff are not allowed to give any advice on the choice of provider. For training vouchers, the BA also sets a priority in ensuring the quality of the training funded by the PES. Therefore, the BA relies on the German Institution for Accreditation (DAKKS *Deutsche Akkreditierungsstelle*) for the professional certification of the external providers.<sup>23</sup>

**Similarly, there is a voucher system for placement services.** In the current model of activation, vouchers are often used to offer the unemployed additional specialized employment services and can be understood as the provision of employment services by private providers

(including nongovernmental organizations [NGOs]) mainly in a complementary way. Service providers are often for-profit organizations providing training, coaching, and counseling. The BA runs a website with a list of all providers for activation and coaching services, details of the offered service, and the location.<sup>24</sup> After job seekers claim a placement voucher, they can register with a private employment agency. The placement voucher lasts from three to six months but can be renewed. The agency can claim an initial payment of €1,000 after six weeks of employment if the participant is still employed, and a further €1,000 after six months (possibly €1,500 if the person was long-term unemployed). However, if the employment is terminated in less than three months, the agency has to reimburse the initial payment. The voucher is only accessible to recipients of UB I after six weeks of unemployment. This restriction does not apply to those receiving UB II. The take-up of placement vouchers was rather low, as a study conducted in 2010 by the Institut für Arbeitsmarkt und Berufsforschung (IAB, the BA's research institute) revealed.<sup>25</sup>

**In addition to the voucher system, the subcontracting of external providers can be used as an alternative to the PES or as a complementary option for the reintegration of the unemployed.** The employment agencies can decide which part of the service mix they want to contract out. However, when a service is outsourced through vouchers or purchasing of services, the unemployed remains a client of the PES, allowing for follow-up and monitoring.

**Employment service providers can be either public or private organizations.** Those offering labor market integration services, private employment service providers, or employers offering appropriate ALMPs for six weeks are eligible. The provider must also obtain a license issued by the BA. Most of the outsourcing is given to for-profit providers while favoring small and short-term contracts based on job outcome performance to enable market competition and avoid monopolies. Depending on the target group and their specific employment barriers, NGOs and not-for-profit organizations can also play a role for the implementation of ALMPs.

22 Alaref et al. 2018; Klueger 2015.

23 Alaref et al. 2018.

24 BA 2021.

25 Institut für Arbeitsmarkt und Berufsforschung 2010.

**Once an employment agency chooses to outsource services through tendering rather than vouchers, it starts a bidding procedure.**

Such a process is managed by five buying centers, which are linked to the regional directorates. The providers who choose to bid for tenders have to meet the quality standards set by the PES. A great emphasis is put on price competition and the outcomes of the contracts. Moreover, providers face fines if they fail to meet the PES targets. For example, they risk losing their voucher acceptance license if 70 percent of the participants do not find work or stay unemployed for six months after receiving their services.<sup>26</sup>

**In addition to contracting out, the PES also monitors and enforces the regulations set for private employment agencies and temporary work agencies.** Despite deregulation of such providers in 2002, some standards still need to be monitored, such as the requirement of having written contracts with their clients, the protection of data, and the prohibition of charging fees to individual job seekers for placement.<sup>27</sup>



## 6. Performance management and monitoring of the PES

### Profiling, segmentation, and case management

**As a building ground for the quality of their service provision, the PES have linked their service streaming to a common concept called the four-phase process.** Under this framework, each job seeker goes through four stages: (a) profiling, (b) target definition, (c) strategy setting, and (d) implementation and monitoring. The profiling serves as the starting point and as a tool for the caseworkers to predict the employability of each individual and choose the appropriate services. Depending on the results, the job seekers are categorized into six different profiles; these are based on their skills and labor market demand, as well as their barriers to enter employment. The profiling tool examines each job seeker's unique circumstances and employability potential holistically.<sup>28</sup>

**The BA aims to ensure that the caseworkers serving and assessing job seekers are well prepared.**

To do so, it has developed a specialized institution, the University of the Federal Employment Agency, where graduate education programs are offered to find and train new staff. Students and prospective employees receive training in several areas of the employment agency and job centers during their three-year program. They study the legal foundations for labor market policy and social security laws, as well as how to apply those foundations to specific situations. Case employment counselors also undergo structured inception with a duration of 80 days. The training content is similar to the one in Austria. This training is provided in-house by internal trainers or experienced staff. In addition, continuous training plays a decisive role. It can take different formats such as individual on-the-job training, dual training, conferences and seminars, in-class learning, e-learning, blended learning, and mentoring. Continuous training can also be provided externally by individual trainers (for example, supervised project-based learning).<sup>29</sup>

**The PES caseworkers are expected to work with the beneficiaries to meet their needs and reduce the duration of the benefits.** They are prepared to identify each individual's challenges and find the appropriate action to address them. They also have advanced knowledge regarding job placements, matching supply and demand, and the overall PES offering.<sup>30</sup>

### Performance management

**Besides monitoring the delivery of services through providers, the PES also continuously evaluates its own service delivery.** The evaluation of the performance of the PES is one of the BA's core activities. There are several tools to ensure that the PES is working properly. These range from setting quantitative and qualitative targets to monthly reports, regular performance talks at all management levels, and various customer satisfaction surveys.

**The targets for jointly managed Jobcenters are discussed between the Ministry of Labor and Social Affairs and the BA, and then between**

26 Alaref et al. 2018; Finn 2016.

27 Alaref et al. 2018; Finn 2016.

28 European Commission 2017.

29 Sienkiewicz 2012.

30 Alaref et al. 2018.

**the BA and the local governments with joint agency managers.** The BA local employment agencies and Jobcenters are also responsible for estimating the following year's targets. Based on a bottom-up strategic planning process and an annual integration and labor market program, local units summarize the strategies planned to meet local circumstances.

**The BA is also obliged by law to assess the effects of its policies and measures.** It does so through explicitly analyzing the efficiency and effectiveness of the resource allocation. These results are then used as a base for highlighting effective approaches and developing further strategies and targets. Such evaluations can be conducted by the Institut für Arbeitsmarkt und Berufsforschung (IAB) or commissioned to an external institute. In addition to the evaluation strategy, the agency also has a benchmarking and classification system in place to be able to assess the performance of employment agencies and jointly managed Jobcenters. The classification method considers regional differences as well as other factors.<sup>31</sup>

**Comparing opt-out municipalities to jointly managed Jobcenters and the BA is relatively challenging** because despite opt-out municipalities being subject to national financial and audit controls, they have other freedom in terms of monitoring service performance. Nonetheless, the opt-out centers seem to pursue similar goals, with the municipalities having a stronger focus on human capital development through employability-enhancing programs. Moreover, they seem to place less importance on integrated case management as well as on competitive subcontracting.<sup>32</sup>



## 7. Discussion and implementation in low- and middle-income countries

**There are positive and negative aspects of the German system as in any other PES.** These pose learning possibilities for low-income countries (LICs) and middle-income countries (MICs) since they provide possible road maps to programs and services that can work well in other environments.

**On the positive aspects, the German public employment services can be described as well-developed and covering a wide range of services for various target groups.** The services provided by the PES are often highlighted as innovative and good practices in the literature due to their comprehensive and detailed approach when it comes to supporting vulnerable groups. The system is based on strong cooperation with external providers for services such as training and close coordination in service delivery between the BA and the municipalities. The means-tested minimum income benefit and the Jobcenters serving these claimants are vital components of the system since they allow for holistic support for claimants owing to the strong public-to-public cooperation. Additionally, the PES has a robust monitoring system for its own processes and also to supervise providers. This monitoring system allows the PES to ensure appropriate service delivery for its clients, especially when the provision is left to external institutions.

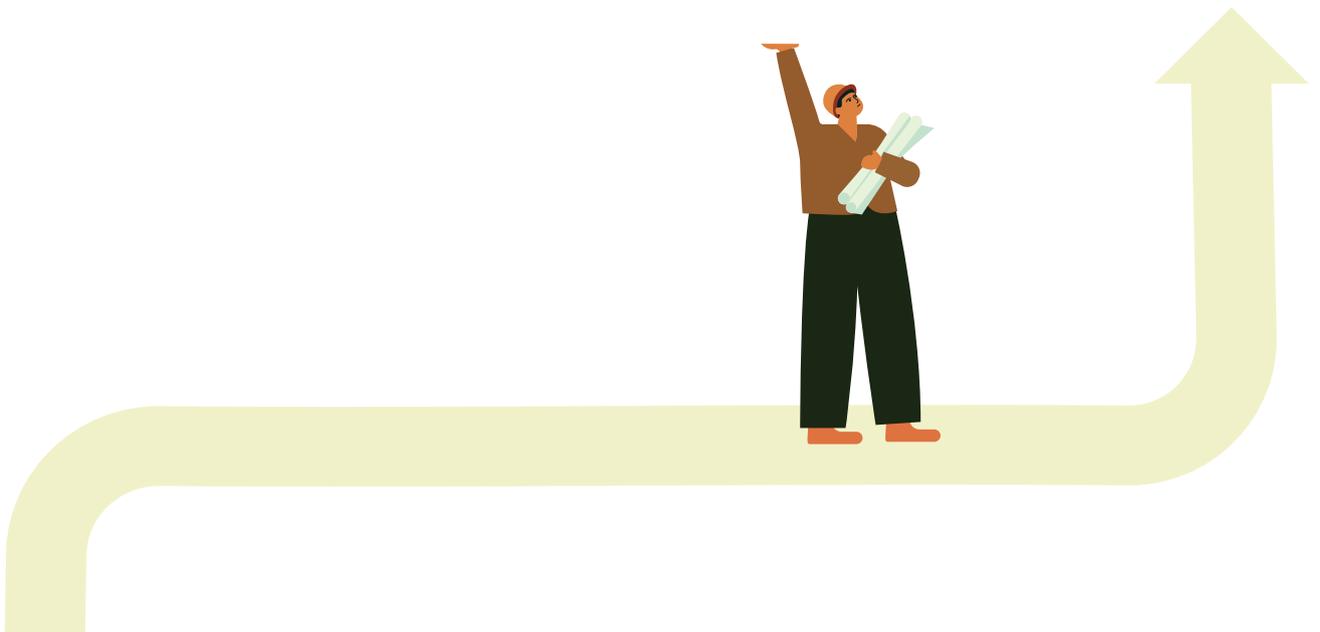
**LICs and MICs looking to build a PES system or alter their existent one could benefit from various programs existing in the German ecosystem.** Particular attention should be paid to those programs directed to certain groups with high vulnerability and labor market exclusion. Moreover, it could be beneficial for other countries to enable coordination within public agencies as it is done in the Jobcenters. For example, the coordination among public entities could allow easier access to services for vulnerable groups and shared assessments and benefit systems. Furthermore, the German system shows how well the appropriate monitoring tools can help when outsourcing service provision. The strict standards and evaluation allow the PES to observe and determine providers' performance regularly.

**Nonetheless, it must be recognized that the German PES system is quite complex and requires high governance capacity.** The PES rely on a large budget and staff, which might not be feasible in most LICs and MICs. The broad range of programs and the high involvement of caseworkers in the processes enable the PES to provide support for their clients but represent significant capacity and coordination efforts, a challenging task for countries with resource or

<sup>31</sup> Alaref et al. 2018; Klueger 2015.

<sup>32</sup> Finn 2016.

staff constraints. Moreover, there is variation in the services available depending on the regions since municipalities can decide to what extent they cooperate with the BA. This often results in claimants receiving different service standards depending on their location, posing a challenge to the standardization in provision across the country.



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