

Further Development of Labour Market Reform after Agenda 2010

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as an opportunity for Europe

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After the reform is before the reform

The Agenda 2010 labour market reform ¹⁾ was a success with regard to the objectives set. Mass unemployment has been successfully tackled. Following the introduction of a modern control system and efficient processes for labour administration, restructuring, insurance coverage, and labour market flexibility, we can state that the objectives were achieved. The number of unemployed people has halved over time, and the average period of unemployment has also reduced.

This success comes at a price. The shortened duration of unemployment benefit, the threat of a switch to a basic income support, and pressure to accept more flexible forms of employment might all mean a quicker take-up of employment, but this is often in the low-wage sector. One in four employees who lose their jobs today will be heading straight for basic income support. Experts have therefore reached the conclusion that unemployment insurance, an indispensable mainstay of our social security system, is increasingly being eroded. The extent of the existential insecurity and emotional strain for those affected should not be underestimated.

Labour market policy is once again a focus of the political world, a welcome development. The social and socio-political sides of labour market policy must be taken into account: this includes intensive discussion of the issues of long-term employment and youth unemployment.

Can we accept that meanwhile around a million people fit to work are long-term unemployed, and have therefore been excluded from working life for an extended period of time? That despite being a comparatively low proportion, we still have a substantial figure of more than a quarter of a million young people?

In my personal view, the motivation to adopt a position in the labour market policy debate comes from the same sources as 15 years ago. It is the inviolability of human dignity as enshrined in article 1 of the constitution. It is the experience that companies can demonstrate social responsibility for their employees even in tough times by using intelligent HR policy concepts to safeguard employment. It is the conviction that human dignity can be better ensured by employment which will secure a livelihood than by precarious aid money during unemployment.

Our activities of recent years should be evaluated within this context. It all began in 2007 with an initial concept proposal for long-term employment, produced by a working group at the non-profit SHS Foundation. Since then the 'minipreneurs' concept and its tools have been developed and tested in consultation with key figures from the worlds of business, science, politics and labour administration with the involvement of unemployed people, and have reached the point where they can be put to use.²⁾

Covering the whole of Europe required operative solutions on a broad scale. In order to gain supporters and to present and discuss the ideas in detail, in June 2014 we organised the first ever 'Operational Congress to Solve Youth Unemployment in Europe' in Saarbrücken.³⁾

For France, we worked with the think tank 'En temps réel' to create a concept focusing on youth unemployment.⁴⁾

We are confident that we are now able to tackle the problems of employment and long-term unemployment with different approaches to those used 15 years ago.

Today, we can use new scientific findings and information technology systems with big data and digitisation to bring all people who are fit to do so into the world of work. To do this, we can build networks where the unemployed 'become their own project' and receive support and assistance. We can eliminate long-term unemployment and thus also the bureaucratic procedures of means testing for basic income support. We can turn young unemployed people into valuable apprenticeship-seekers. We can provide an impetus for people in Europe.

Once again, we need unconventional ideas that open up a change of perspective to new ways of doing things. Ultimately, pursuing these ideas comes down to the following:

- The long-term unemployed are available to business, communities and charitable institutions as members of the workforce upon payment of marketable wages.
- Rather than unemployment benefit following needs testing, they would receive a minimum wage without any testing required.

- As a result, the second labour market would be integrated into the first labour market.
- For young people, this involves tapping into potential for training places going above and beyond companies' own individual needs.
- It will be funded by a new 'time asset' which can be transferred and traded as a security.

In order to do this, we essentially need:

- Political power – this is required to create and implement the underlying conditions.
- The necessary resources – these are available in our rich country and in Europe, and need to be mobilised.
- The ideas and the tools to tackle the problem – which we will provide.

The end of long-term unemployment

Despite considerable efforts, the volume of the long-term unemployed has remained at the same level for many years. Today's statistical value of just under a million covers the fate of individual people and their families.

Statistical analysis undertaken by IAB has shown us the risk characteristics which impede a return to working life: these include a lack of education or training, health restrictions, advanced age, limited command of language among immigrants, caregiving, and single parenthood.

One particular problem area is the long amount of time spent on basic income support. People who have been unemployed for more than four years make up nearly a quarter of all long-term unemployed, and in some cases this results in unemployed careers spanning generations.

However, basic income support cover is not synonymous with long-term unemployment: at the moment, one in four employees who are subject to social security deductions and lose their job will go directly on basic income support. This includes people who have lost their entitlement under unemployment insurance due to time limits or short-term employment. It is also important to mention so-called 'topper uppers' whose income from unemployment insurance has proven too low, as well as young people who are seeking work and are not yet entitled to make insurance claims.

These people do not belong under basic income support with its bureaucratic procedures of means testing but rather under unemployment insurance, as was also recently suggested by Heinrich Alt, a former member of the Federal Employment Agency's board of directors.⁵⁾

Start at the heart

The fact that the Federal Employment Agency now views reducing long-term employment as a priority can only be applauded. However, we know that tackling this problem is not just a question of further training or of intensifying mediation efforts: persistent unemployment is about more

than just a constant mismatch between supply and demand on the labour market. In connection with and as a result of tensions and emotional stress, financial crises, and health problems for those affected, it also initiates a process of negative personal development and disintegration from social life.

We know that continued failure to find work prompts a stress response in such people, resulting in the unemployed person's neuronal system, brain and thus life and behaviour adapting to their situation of unemployment. This may induce stress-related illness and result in the situation changing and being (potentially incorrectly) re-evaluated, or alternative action being taken.

These neural pathways can be changed once again by new and positive experiences which enable dwindling physical, psychological, mental and social skills to be revitalised. We must retrieve the long-term unemployed in this phase of 'learned uncertainty' and facilitate revitalising experiences.

This requires the creation of structures and processes which adequately deal with the wide range of individual circumstances. We must also keep both sides of the labour market in mind: job seekers and employers from the private sector, communities and social institutions. We must create incentives to re-opening the door to employment for the long-term unemployed, in small steps and for an adequate income.

The idea: the 'minipreneur' concept ⁶⁾

We establish a 'network of minipreneurs' at every location. In these, long-term unemployed people are placed in groups of around twenty to receive intensive mentoring from a network A-trainer or a job centre advisor.

In guided self-help work and with the mutual support of the rest of the group, a structured process provides participants with services which help them to tackle personal and health problems, discover interests and talents, seek out employment and income opportunities, and develop and implement realistic plans. The aim is to develop a new perspective on earning a living and to result in placement in the labour market made up of the private sector, social institutions and communities, or commencement

of self-employment. Transfer to the 'minipreneur network' switches a long-term unemployed person over to minimum wage. Beginning work on the first job market should be at a marketable wage for the employer, covered by the minimum wage guaranteed by public funding.

The question of unfair competition is irrelevant, as companies (in particular small and medium-sized enterprises) have the option of employing minipreneurs under these same conditions.

The integrated approach

So what actually is the 'minipreneur concept'? Firstly, it is the network which views and organises mastering your individual destiny as a social process. The minipreneur concept takes a coordinated, interdisciplinary look at the complex issue of long-term unemployment, and focuses on the individual in their social context and the continuum of their life experience. The concept requires commitment and honest interest from those involved and does not entail any compulsory participation whatsoever.

A minipreneur is someone who takes their life into their own hands and 'becomes their own project', starts small, is helped by other people to gain prospects for new employment, and is also prepared to aid others in their efforts to make a fresh start.

The concept's underlying approach offers a multi-perspective examination of long-term unemployment. The perspectives opened up for the programme relate to the issue's biomedical side, incorporate psychological, sociological, environmental and ethical aspects, and take account of economic, social policy and labour market policy dimensions.

The minipreneur programme is a structured learning and development process made up of process elements supported by experts, in conjunction with self-help activities. It requires specific yet cooperative learning processes and methods.

The process begins with group and personal development. It then continues with health coaching, talent diagnostics, the job radar, and the polylogue. The end result is a personal development plan.

The processes and methods of minipreneur group networking are set out in a franchise procedure which ensures further development and quality assurance.

Health coaching

The health of the long-term unemployed is often affected in a variety of ways. If we are to improve the conditions for re-entering working life, particular attention must be paid to physical condition. Individual health coaching will therefore be offered after group formation in order to diagnose and stabilise the person's health situation. This builds on scientific findings from the fields of medicine, neurobiology, psychology and integrative therapy.

The health coaching programme includes a 'bundle of measures' which are individually tailored to promote and increase both subjectively experienced vitality and freshness and objectively identifiable performance capability. The aim is to identify health risks in a person's behaviour, environment and current living situation and find a way of accessing a self-determined, health-conscious lifestyle.

Talent diagnostics

Everyone has their own particular talents!

Our solution is to foster people's talents so that they are able to offer working output which is in demand on the market. In order to achieve this we begin by completing a talent diagnostic which allows us to reveal both obvious qualifications or skills and hidden talents.

The aim of talent diagnostics is to develop specific, binding professional prospects for the person in question. The first challenge of defining goals is to take into account the individual's particular potential, resources, skills and willingness, as well as the reality of the market. Talent should not be an abstract possibility, but rather a specific perspective on earning a living. To this end, the talent diagnostics and job radar processes are closely

intertwined. Talent requires specific opportunities for realisation on the market.

One challenge for determining objectives is the fact that there are only limited resources available for measures to achieve them. It only makes sense to set professional goals which can be realistically achieved with the individual's available resources and the people and institutions supporting them. This requires not only a goal which is attractive to all involved, but also a realistic plan.

The expertise, methods, technologies and experts who will perform the talent diagnostics are all already available. The individual process steps have been tested in various contexts and pilot projects, and can now be used to solve the problem of long-term unemployment and develop available talent.

The talent diagnostics process consists of various steps: a life portrait is established as part of a creative process, using a standardised assessment of all formal qualifications on the person's CV. These provide basic indications of the talents which have already emerged in the participant's biography but of which said participant is often unaware. This is followed by a specific analysis of the currently available resources, development prospects and limiting factors established by the person or their social environment. A standardised computer-based talent test is used to match cognitive skills, personality traits and interests with companies' real requirements profiles. Motivational, emotional and behavioural elements are also taken into account to derive suitable support and development measures, vital for ensuring that the person successfully completes the professional reorientation process.

Job radar

The job radar is used to identify, define and locate current and new employment potential down to town or city district level. The information obtained is then processed in conjunction with the talent diagnostic to provide participants with very detailed information about specific employment prospects. Two strategies are used:

The first strategy focuses on locating employment opportunities within existing workplace structures. Firstly these may be known vacancies which have been published via means such as the Federal Employment Agency, job portals or newspapers. The job advertisements found in these locations are analysed and structured in such a way that they can be compared with the results of talent diagnostics. Secondly we have positions which have not been publically advertised, but have been identified as part of a cooperative partnership.

The second strategy identifies previously unrecognised employment potential, for example in the field of new trend-based jobs and services. These are therefore business opportunities which have not yet been tapped, so a proactive approach is used to address needs which previously remained undiscovered by the market.

The starting points for creating innovative goods and services such as these were the use of technological developments and economic and social trends, values and lifestyle models. 150 innovative service ideas were developed in conjunction with trend researchers. In order to exploit synergy effects, these business ideas were collated into seven job families representing seven future markets.

These newly-developed service ideas should be locally relevant and implementable. To have a real chance of success, detailed market research is required in the budding small entrepreneur's geographical environment. The job radar ensures that an initial business idea can become a job with a sustainable income for a jobseeker.

Polylogue – an opportunity for exchange and mutual learning

The central concept of the polylogue as 'multi-voice discussion of a complex situation between different people' (Petzold) becomes the basis for group activities during the collective minipreneur process. The 'expertise of all participants' and their ideas and knowledge are used to surpass previous limits and enable new development.

This uses methods drawn from the field of self-help, such as working rules for mutual assistance and learning. The aim is to develop creative and

innovative ways of thinking and to foster feelings of self-assurance, confidence, trust and solidarity.

A-trainers – (former) unemployed helping the unemployed

Anyone who wants to help an unemployed person experience something new and thus change their previous preconceptions and attitudes must be able to win their trust, encourage and inspire them. We believe that unemployed people can best be reached and encouraged by those who have had similar experiences. Former long-term unemployed people are therefore trained up as trainers and moderators of minipreneur self-help groups.

The implementation model – social franchising

Social franchising uses the opportunities of a commercial franchising system to disseminate and implement concepts in the non-profit sector. Social franchising enables a network to be created between jobseekers and supporting institutions. Pooling the concept's services also ensures a consistently high standard of quality, as well as unlimited support and ratification of minipreneurs on a local level.

Prospects for unemployed young people

Europe has more than four million unemployed people. Why is this the case, if the problem is a fixable one?

Germany is flirting with a lower rate of youth unemployment, but at more than a quarter of a million young people out of work their total is higher than Greece, Portugal and a few other European countries put together. In absolute figures, Germany is fifth out of 28 European countries.

What we need are new ideas to open up paths for young people into working life and encourage them to take control of their own project.

Young unemployed as local market researchers

Integrating young unemployed into the minipreneur network allows us to create the conditions for discovering their interests, talent and resources as part of a multi-level process (as for the long-term unemployed) and help them to find their own way in to professional life. The 'local market researchers' programme developed especially for them provides an opportunity to learn from each other in location-based participant groups and thus create work based on innovative services. The key element of this is working together to find solutions and collaborate on resource activation in an open, unconventional climate of respect and esteem.

The programme consists of a series of mandatory events plus other voluntary events coordinated by the participant group itself. This is done using the local job radar, based on a free open-source software package. The participants are trained in the software within the minipreneur group and are helped to undertake local evaluation of service ideas. The results of this market research are published via an interactive map. The central elements of the talent diagnostic and the polylogue serve as the other cornerstones of this programme, which lasts for several weeks.

The open-source software package is published under a licence which guarantees that the source text will be available in a format which is legible

and comprehensible to participants and can be copied, disseminated, used and changed as needed, as well as transmitted in altered form. This makes full use of the skills and interests of the 'digital native' generation.

Securitised training time for young people

Professional training in Germany is of an excellent standard for Europe, and fundamentally there is no lack of training capacity. The question therefore arises of how we can make even better use of the available potential in order to give all young people the opportunity of qualified training.

To a greater extent than currently happens, companies could offer training positions over and above their own needs in order to better utilise available training capacity. There are ways of funding this.

We propose a new form of security called a 'training time asset'.⁷⁾ This is both a funding and a control tool. When redeemed, it covers both remuneration for the trainee and payment for the training company. However, as well as being a security it also contains an element of insurance, namely the promise of a training position. The control element lies in the fact that young people can create demand for qualified offers with their securitised training time.

This is a governmental task, especially in view of the other resulting state costs of unemployment. Companies have a major interest in receiving trainees. Demographic development means that this will become an increasing problem over the coming years, with some regions more strongly affected than others. Financial contributions to the fund could even come from private resources (whether as capital investment or from relations to train a family member), especially if such a model offered tax benefits.

The fund could be centrally managed by an institution with a good rating, whether on a national or a European level. One possible candidate might be the European Investment Bank, which belongs to EU member states and has for some time been tackling the issue of how to combat youth unemployment using financial instruments.

According to experts, the practical issues are manageable. Payments could be processed via local banks and savings banks in the form of a relatively simple, common financial product which is known to and understood by all. Banks and savings banks, which are trusted to handle development loans, also have the capacity to operationally implement a programme such as this.

The concept of the time asset could ultimately also be used in other sectors. The fund itself securitises not only training time but also working time in early retirement, caregiver leave and additional pension units. It is a transparent, transferable and tradable asset which securitises valuable time. The family time asset could also support family leave, and the training time asset could be attached to children's learning account. The time asset would also allow for control and funding of caregiver leave, fed by various funding sources including governmental, corporate or private.

It is worth discussing what is feasible in a modern economy with regard to particular life stages, to ensure that the available resources are directed in a targeted fashion towards the needs and requirements of people at different times of their lives.

German-French project as an opportunity for Europe

Which results and experiences of German labour market reform are relevant to Europe as a whole? Some things are transferrable. Much has changed in recent years, and new research findings are available.

Building on these, we worked with the French think tank 'En temps réel' to create a concept focusing on youth unemployment. The programme is called 'Europatriates / europatriés'.

'Europatriates / europatriés' are young unemployed people who take up temporary training or employment in a country other than their own: for example a young French person coming to Germany, a German going to France or a Spaniard going to Sweden. They remain connected to their native country. They are Europeans.

The aim of the project is to provide all young people in Europe with prospects that have defined eligibility criteria, whether as a trainee, qualified staff or an expert professional.

The minipreneur concept modules previously described are used in the preparation phase. The talent diagnostic systematically and methodically identifies each person's potential, providing the basis for their personal development plan.

The talent diagnostic is therefore a necessary and effective tool, especially for unemployed young people with few qualifications who are difficult to place. This is not just about overcoming placement obstacles: instead, we work together to identify the person's interests, strengths and talents, as well as their ideas, wishes and desires.

In addition to talent diagnostics, this process also uses the life portrait, health coaching and polylogue elements.

Multi-professional perspectives, aptitude approaches and methods, and joint result interpretation and decision-making are all used in combination to open up additional employment options.

The job radar is used to identify, define and locate current and new employment potential. The information obtained is then processed to provide participants and also contracting entities, authorities and sponsoring companies with detailed information about specific employment prospects.

A compact language programme with cultural, country-specific and European references offers an upstream introduction to the European country of residence.

The company is reimbursed for the costs of training within the country's relevant training and labour market organisation systems. This ensures that companies are willing and have to capacity to provide training.

The wide range of support and guidance activities for young unemployed people provided for as part of this concept require sophisticated, networked infrastructure. This means not only further developing tools and adapting them to specific countries, but also supporting young people through the integration process. Social franchising offers an innovative model for implementation across Europe. It combines the objectives of common good with the rules and tools of commercial franchising. It enables the overarching infrastructure to be used under a central control, and also ensures adaptation to local circumstances.

The instruments developed for the Europatriates concept could also be disseminated and replicated across Europe using the franchise system ('scaling up'), with some adaptation to the specific needs of individual countries. In addition to translating the tools into participants' native languages, they must also be adapted to the countries' particular cultures and to local labour market conditions. Cultural adaptation is particularly important for talent diagnostics in order to achieve valid results. Higher-level control at a European level also ensures that quality levels remain consistent. As part of the intended reporting process, local experiences will be evaluated at a central point and will then be fed back into the system via a network that learns from best practice.

Europatriates is a further development of the Erasmus programme.

It could be funded using resources from the European Commission for Education and Training. One unique option is the training time asset with a fund held by the European Investment Bank, open to all European member states. The resources are considerable, beginning in Europe with a pilot project with 500,000 young French people and 250,000 young Germans. Serious, professional and successful implementation requires €30,000 to €40,000 per young person.

We can start with Germany and France. Its example and success will provide other European member countries with an incentive to join the initiative.

Could there be any better, more tangible project for France's newly elected president Emmanuel Macron to agree and launch on his inaugural visit?

Europatriates could become the initial spark for a new, much needed wave of enthusiasm in Europe.

- 1 Four reform bills following the reform proposals made by the 'Modern Services on the Labour Market' committee, commonly known as 'Hartz I' to 'Hartz IV', although they do not in any way represent a one-to-one implementation of the committee's reform proposals: the political arena did not act on the committee's proposals relating to the structuring of unemployment benefit and basic income support, nor for organisational changes to a uniform labour market organisation.
- 2 The concept book has been published as: P. Hartz, H. G. Petzold, *Wege aus der Arbeitslosigkeit*. Springer VS Wiesbaden 2013 with contributions from: Dipl. oec. Andreas Frintrup – Stuttgart, Dr. Sascha Götting – Berlin, Dr. Thomas Heuser – Düsseldorf, Dr. Christine Kaul – Hanover, Imke Keicher – Zurich, Corinna Mühlhausen – Hamburg, Dr. Nicole Paschke – Saarbrücken, Prof. Dr. med. Jürgen Rosenberger – Beckingen (also available as an e-book from Springer VS).
- 3 *Gegen Jugendarbeitslosigkeit*, report of the 'Future Perspectives for Young People in Europe' conference, Bielefeld (AISTHESIS Verlag), October 2015 (also available as an e-book).
- 4 Available at <http://www.entempsreel.com/files/cahier53.pdf> - January 2014.
- 5 H. Alt, *Gutachten zum Reformbedarf der Grundsicherung*, Friedrich-Naumann-Stiftung für die Freiheit, Potsdam-Babelsberg 2017.
- 6 Presented in detail in P. Hartz, H.G. Petzold, *Wege aus der Arbeitslosigkeit*. 'MINIPRENEURE. Chancen um das Leben neu zu gestalten – Zur Bewältigung von Langzeitarbeitslosigkeit', Wiesbaden (Springer VS) 2014.
- 7 Cf. 'Innovative Funding Methods' panel discussion in: *Gegen Jugendarbeitslosigkeit*, report of the 'Future Perspectives for Young People in Europe' conference, AISTHESIS Verlag Bielefeld, October 2015 (also available as an e-book).

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