Social Diagnosis in the Labour Administration – Working More Efficiently? German Experiences since Hartz IV

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Abstract

For the past several years the German labour administration has classified unemployed persons according to the probability of their return to the labour market into special groups and assigned them to various action programmes. The conceptual relationship of this procedure to social diagnostics was largely ignored by the professional public. This article introduces some approaches to an adequate and differentiated classification. Against the backdrop of presently practised customer differentiation/profiling, we discuss future developments and propose practical solutions.

1. Introduction

Job placement services are expanding in Germany. 11,600 placement officers work in the German Federal Employment Agency (for people unemployed for less than a year), 13,700 work in job centres for the long-term unemployed.[1] Especially for complicated or complex cases social workers are deployed. The concept of Profiling and Client Differentiation, which was introduced some years ago, resembles in functions and procedures other areas of social work, like clinical social work. The unemployed are classified for re-entry into the labour market according to the probability of their "profile type", corresponding to their "diagnosis" and "treatment groups" in clinical social work. This has changed how the unemployed are treated by the Employment Agency: In the previous concept for the organisation, the placement officers could apply the juridical guidelines, which regulated how job seekers were informed, counselled and supported, at their discretion: The decision about the needs of an unemployed person and the kind of support s/he should receive was linked solely to the diagnostic competencies of the placement officer. Today the concept of profiling offers a scope of actions for several type situations, within which the officer has to make certain decisions. Generally it is difficult to say if these changes help focus on the needs of the so called customers (clients). However the newly introduced criteria of effectiveness and efficiency certainly result in a new interpretation of the classical administrative criteria of lawfulness, effectiveness and economic viability. Moreover the new concept of customer differentiation raises a number of questions as to the conciseness of the categories unemployed persons are assigned to, their diagnostic selectivity, the transparency of the procedure and the implication and consequences of their application.

2. The Problems with Job Placement

"The skills of a person" are difficult to describe and are refracted by different competencies and strategies of self-expression. That means that good practice has to consider and integrate different aspects of the performance and behaviour of a person: for example educational and professional qualifications, proven experiences and achievements, competencies and, in a prognostic manner, the estimation of future potential and possibilities. And since performance cannot be considered without the social environment, the personal and social setting becomes increasingly important. The German Federal Employment Agency, job centres and municipal labour administrations do this kind of assessment of competencies and potentials within the framework of employment exchange and allocation to occupational training activities. The new long-time perspective on occupational respectively professional careers demands prognosis of several factors that reach far into the future, which increases the complexity of the task: How will a person develop their abilities, skills and potentials within their social setting? Positively, stagnating or even negatively? How will the opportunities and the size of the labour market change during that time? Will the demands on job seekers increase or decline?

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[1] Source: ERP-BI (Data of personal structure of 08-04-2012), Centre POE32. We are thankful to Mr. Paul Ebsen for making the data available to us.

In such a relatively vague situation, a description of the "point of departure" (depending on the professional context sometimes also referred to as diagnosis, assessment or profiling) becomes increasingly important. Combined with the practical knowledge about which intervention will have the best outcome for a reintegration into the labour market, this description will indicate a certain procedure and course of action. Analytically this sounds easy, but in practical terms these claims can only be met very approximately, because the evaluation of measures (like continuing education programmes or job application training) and reintegration strategies at different locations and training institutions show no significant differences regarding the success of reintegration into the labour market: That makes it difficult to evaluate measures as more or less effective. Additionally, the success is massively dependant on the quality of the relationship between placement officer and client.

Against this background it is easy to understand why the legislature allows the placement officers such a wide range of actions, which are channelled by customer differentiation within the organisation. For the unemployed person the classification into a certain "Profile" or "Treatment Group" has far-reaching consequences as this determines which resources can be marshalled on his or her case. This of course requires an answer to the question about the quality of such a diagnosis and classification.

2.1 Determine and measure competencies and other personal characteristics

Which competencies and characteristics should be collected in the diagnostic process respectively the assessment? Which competencies and characteristics of a person are relevant and solid enough for evaluation of possibilities and potential? During the last several decades a lot of different characteristics or clusters of characteristics were scrutinized. The findings do not contravene the highly specific requirements of certain professions.

Key Qualifications: Dieter Mertens, former director of the German Institute for Employment Research (IAB), noticed by a special phenomenon when analysing the reintegration of the unemployed into the labour market: He observed that out of a group of job seekers with similar professional background and experiences a certain section had found jobs fairly quickly and easily whereas another section had noticeably more difficulties to find a new job. He used the term "key qualification" to describe the fact that some job seekers possess a sort of key "to open the door to the labour market". Then tried to define these "keys" and described their characteristics (Mertens 1974). Furthermore these characteristics were operationalized: Measurements of this operationalization was correlated significantly with measurements of intelligence tests (*Blaschke* 1987). Because of the similarity of these two constructs further research in key qualifications was stopped at the IAB.

During the following years this concept of (occupational) pedagogics was adopted and developed into two directions: On one hand there was definition and detailing of personal aspects like "social

competencies" or "soft-skills". On the other hand the personal perspective was reinterpreted and focused into a pedagogical lead concept which even found its way into educational laws to emphasis the idea of advancement of the personality in addition to the content-related educational mandate. These "personality-related" aspects (Bunk et al. 1991) complement and enlarge the "materialistic" and "formal" (e. g. logical thinking or problem analysis) side of education, which covered traditionally the classical, rational pedagogical aspects.

Diagnostics of Occupational Aptitude: Meta-analytical studies on the construction and methods of occupational aptitude show very similar results: The most important variables to predict occupational success are intelligence and integrity (*Schmidt & Hunter* 2002). Findings on (the structure) of intelligence are particularly meaningful when adolescents have not yet acquired occupational knowledge and skills, which essentially means a diagnosis of possibilities and potential. Integrity is consistently very important for professional success, independent of the complexity of the task in question (Ones & Viswesvaran 2001). The most successful methods for prognosis are, in addition to tests, work samples and structured questionnaires regarding the occupational biography (*Schmidt & Hunter* 2002). Both procedures require that the applicant already has the necessary knowledge and skills for the job.

Employability: Employability is one of three target dimensions defined by the German Federal Ministry of Economics and Labour according to which the process of activation of the unemployed should be optimised and evaluated: The three dimensions are "(1) integration into unsupported employment, (2) maintaining and improving employability, (3) social stabilisation" (*BMWA* 2005, 6). The background for this are the employability guidelines of the European Commission (*EU* 1997).

Apel & Fertig developed on the basis of existing literature and the details therein an operationalization of the concept of employability, which took into account the following six groups of variables: job-seeking and extended occupational training, motivation, willingness to make concessions, awareness of skills, social context / networks and mental and somatic health.
For the probit estimation, the number of variables was reduced by factor analytical reduction. The most complex model offered the following prognosis ($r^2 = 0.15$) (*Apel & Fertig* 2009: 20):
A successful integration into the labour market can be expected if four characteristics are present:
(1) active search for employment within the past four weeks, (2) preparation for self-employment, (3) a fair amount of professional experience, and (4) a capacity to work for more than six hours a day. No integration can be expected if the following characteristics are met: (1) extrinsic motivation for work, (2) readiness to move to another location or change profession, (3) low willingness to learn, (4) willingness to make concessions, (5) many unemployed people are part of the social environment and (6) conflicts within the family (*Apel & Fertig* 2009: 22).

In summary the results show that "employability" has to be understood as a multifactorial construct and that the consideration of personality-related variables improves the prognosis of occupational development.

2.2 Diagnosis and indication in job placement

After some preliminary tests before the Hartz reforms (e. g. Aster et al., 2003), *Profiling* was introduced for all employment agencies (Arbeitsagenturen) and job centres (Arbeitsgemeinschaften / Job Center) in 2005. Although the terms *Profiling* and *Customer Differentiation* originate in the business world, the procedures of the German Federal Agency for Employment (Bundesagentur) follows medical logic: The exact description of a person (anamnesis) makes it possible to identify single symptoms and leads, possibly by a pooling of the symptoms or the identification of syndromes into a diagnosis of an illness. Patients with the same illness receive mostly a very similar treatment and different illnesses lead to different treatments. The German labour administration for some years now operates analogically in the valuation and classification of their clients: The exact description of a person (Profiling) makes it possible to identify single symptoms. This leads possibly to a pooling of the symptoms or the identification of syndromes and to a diagnosis of certain placement obstacles / application handicaps, like e. g. "low or absent motivation". This leads to a classification into one of the "clients groups": Clients with the same obstacles get very similar treatment which is defined in "treatment programmes"; different treatment groups lead to different treatment programmes. Nevertheless, whereas in medicine there are catalogues of illnesses, the use of Profiling in the Federal Employment Agency started with four "diagnostic groups".

(1) "Market Customers" ("Marktkunden"),who are considered to find a job on their own fairly easily with a small amount of support, (2) "Consultancy Customers to activate" ("Beratungskunden fordern"), who got a diagnosis of motivational problems and should be activated, (3) "Consultancy Customers to assist" ("Beratungskunden fördern"), who got a diagnosis of capability or qualification deficits and/or further handicaps that could be diminished, reduced or removed by training and support programmes, (4) "Care Customers" ("Betreuungskunden"), which have simultaneously the problems of the groups (2) and (3) (*MASF* 2006). The differentiation between the groups "Consultancy Customers to activate" and "Consultancy Customers to assist" comply with an every-day psychological interpretation of "active clients" who present themselves during the initial interview as engaged job-seekers, and "passive clients" who gave an phlegmatic[2] or resigned impression.

After the placement officers had entered all the interview data into the assisting software, the system offered him – like an expert system – one of the four "Customer Types". Not all placement officers were aware that they were not obliged to follow this suggestion by the computer system. In any case, the placement officers ran the risk of having to "defend" themselves if they choose a different category from the one suggested by the system (cf. *Behrend* 2007: 98). Since categorisation entered the controlling, it happened, that the placement staff was confronted with

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[2] There is no differentiation between passive behaviour that might be interpreted as a symptom of a depressive mood by the destructive processing of the unemployment experience and the symptom of a general attitude that often is taken as "social loafing" or "free riding" ("Skivers").

target values by line managers who tried to influence the distribution of the cases (*Behrend* 2007: 108). Additionally, the placement officers found that they also determined their own workload with the categorisation of their clients, and that might have led to a pragmatic handling as well (*Behrend et al.* 2006, *Behrend* 2007, *Bender et al.* 2006). Some evaluations describe that the experienced placement staff understood the introduction of Profiling as personal disenfranchisement and/or humiliation (*Behrend et al.* 2006, *Bender et al.* 2006). One criticism was that Profiling lead to a disregard for the interests of the clients. For example low-skilled but highly motivated job-seekers had been qualified as "Care Customers". As a consequence, they could not get the support they themselves had considered useful and sensible and which might have been induced using other criteria, e. g. the criteria of Apel und Fertig (2009: 22). As more and more placement officer did not have a specific occupational training for their job and sometimes only got little internal training (*Behrend et al.* 2006: 3, *Bender* 2006: 196), the Federal Agency presumably wanted to ensure the quality of Profiling by using the expert software system; maybe the goal was to reduce expenses by introducing a simple cost-benefit calculus. In 2006 the typology of customers/clients was criticised by the public, as people suspected that "Care Customers" might by deprived of certain services (*MASF* 2006) – in other words, that the Federal Agency would support job–seeking citizens only in a limited way if the probability of their re-entry into the labour market was estimated highly improbably. These persons would get – after one year of unemployment – social benefits financed by the municipalities (cf. WZB; Infas 2006), thus reducing the stress on the budget of the Federal Agency, which pays only for the first year. As a consequence, in 2009, the four-phase model was introduced.

The four-phase model unified the intra-organisational procedure of the Federal Agency, which is responsible for people unemployed for less than a year (receiving benefits according to Code of Social Law, Part III (SGB III)) and the procedures of the municipality and the joint ventures (Arbeitsgemeinschaften / Jobcenter), which are responsible for people who are unemployed for more than a year (receiving benefits according to SGB II) (*Oschmiansky* 2011). This facilitated the communication when handing cases down the chain. The first phase includes the profiling of a jobless person, which consists of an analysis of strengths, possibilities and potential, and a determination of the profile type. The strength-based analysis encompasses the logging of educational achievements, professional experience, qualifications and competencies. The analysis of possibilities and potential extends the "personal profile" by the categories of "capacity to work" and "motivation". Additionally, a profile of the person's social environment is created that looks at the personal setting (as family, financial and living situation), and then is juxtaposed to the labour market conditions. Instead of the four client types there are now six, which are directly connected to recommendations for courses of action: market profile, activation profile, assisting profile, development profile, stabilizing profile and supporting profile. The first three profiles are called "close to integration", the last three are called "complex". Profiling is followed by three phases: *setting of personal targets*, the selection of an *integration strategy* and the creation of an integration agreement (Eingliederungsvereinbarung) (cf. *Oschmiansky* 2011).

3. Tasks for the Future

The concepts and profiles described above show that the descriptive powers of a prognosis for reintegration into the labour market using solely occupational characteristics that are easily to objectify, are weak. The descriptive power rises when personal characteristics including intelligence, and so called soft-skills are included. The concepts of placement – customer differentiation and types of profiles (cf. chapter 2.2) – use these findings in such a way that personality-related characteristics as well as soft-skills are now part of the software systems, which will support the work of the placement officers. However, applying software that uses psychological or pedagogical terms, e.g. "motivation", does not guarantee that the content of these terms is correctly perceived and diagnosed and taken into account for further procedures by the placement staff. This would demand appropriate knowledge of different motivation theories and the expression of behaviour, sentiments and thoughts that indicate the strength of certain motives. Professional placement officers should be able to use (and not only recite) such theoretical-based knowledge. At the same time and against the background of the presented experiences (cf. *MASF* 2006; *WZB; Infas* 2006), there is room for concern: Strategies and decisions might be enforced – backhandedly and disguised by the culturally and normatively accepted value of demanding and supporting assistance – that are guided by expectations of economic value: Does somebody "need" support if the probability of his or her reintegration into the labour market is already high? Should people with very low odds of reintegration get more services than the legal minimum, even if there might be no benefit in relation to the costs? Would such a systematic denial of benefits and services even be legitimate (or discriminatory)? Reliable answers on such questions need a very high quality of diagnosis and indication of reflection of normative and legal aspects.

It is of paramount importance for the affected clients if they are assigned to a "more cost-effective profile" although they themselves define different needs for their reintegration. However, in most cases the client does not know how s/he was classified. (*Behrend* 2007, cf. *Spindler* 2008, *Trube* 2003). A report on job placement services states the following:

> As a consequence of the customer differentiation Mr Everding and his colleagues must explain to motivated care customers as well as to market customers that they have not enough respectively to many placement obstacles to be financially supported. It is, according to Mr Everding, delicate and difficult to "knock potential claims down, to smooth over or to deviate them, only because they are no longer conforming with the system…" One cannot, as Mr Everdings says without irony elsewhere in the interview, simply "ban the care customers from the premises" (*Behrend* 2007: 110).

The implicit disadvantage of a stronger attention to personality-related characteristics is the fact that the discourse on unemployment is increasingly interpreted as a phenomenon that is caused by deficits or a lack of adjustment by a person. For example, the four-phase model uses the hurdles of low motivation and lack of qualification, but not those of over-qualification or lack of job opportunities in certain professions. The assumption that decisions on approval or rejection of training or support measures and services may be taken only according to a calculus that optimizes the economic utility, might aggravate or even block a sustainable relationship between placement officer and customer/client.

This latent conflict is reinforced by the fact, that all participants know these contradictions – but also know that they should not broach these issues. At the same time the rules of a cooperative relation between client and placement officer and the reciprocal obligations should be met. How can relationships be developed under these conditions? How many interactions are necessary until clients and placement officers will develop a sense of trust in the statement of each other and are assured that their counterpart plays fair? On the client side this situation often leads to appeals against a decision, to the use of the social court system or to inconspicuous noncompliance. On the side of the placement officers discretionary decisions are often interpreted more freely if there is a sense of trust with the customer/client.

4. Recommendations for New Measures

We suggest the following measure to reduce the pressure on the relationships between clients and placement officers and to keep a check on the improper reinterpretation of individualising:

- Placement officers should inform their clients about the profile they were assigned to. They should made the classification understandable and be able to give reasons for this.
- There should be transparency on an aggregated level for policy-makers and all persons concerned about the financial resources available for each profile-type and how sustainable the reintegration into the labour market was (measured e. g. by employment for at least nine month after a placement). This is the only way that a fair distribution of the distributable means can be discussed democratically. All legally required benefits and services must be granted in any case.
- Unemployment is caused by many factors (sociological, psychological, juridical, education-related and economic aspects merge). This should be reflected in the classification of job seekers in order to fight against a one-sided causation. The experiences with the "German job miracle in the crisis" ("Deutsches Jobwunder in der Krise", Möller 2010) show, that even in times of globalisation, it is possible to understand unemployment in terms of an economic crisis – and act accordingly.
- Today the measurement of the efficiency of the placement officers is affected greatly by the performance of the labour markets, which often depend on globally controlled movements of companies and their specific demands for employees with relevant qualifications. The indicators for the competence of placement staff should be independent of these dynamics.

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