

## **STREET-LEVEL BUREAUCRATS IN GERMANY'S FEDERAL EMPLOYMENT AGENCY – REFORMS FROM THE CASEWORKERS' VIEWPOINT**

### **Joss Steinke**

Arbeiterwohlfahrt (AWO) Bundesverband e.V.  
Head of department „Arbeit, Soziales, Europa“  
Blücherstraße 62  
10961 Berlin, Germany  
E-mail: joss.steinke@awo.org

### **Christopher Osiander**

Institut für Arbeitsmarkt- und Berufsforschung (Institute for Employment Research)  
Junior Reaesarcher  
Regensburger Straße 104  
90478 Nuremberg, Germany  
E-mail: christopher.osiander@iab.de

### **—Abstract —**

This article deals with the significance of caseworkers in implementing reforms within the German Public Employment Service (“Bundesagentur für Arbeit”). In the last decade, the so-called “Hartz-Reforms” fundamentally changed labor market policies in Germany. First, we explore the question of how caseworkers assess the reorientation of the business system. Second, we analyze their self-perception on the basis of certain theoretical assumptions. Employees at the interface between organization and clients – the so-called “street-level bureaucrats” – strongly influence the practical implementation of reforms. We use unique empirical data from a survey among caseworkers and show that they generally support the recent reforms. However, in some areas caseworkers criticize details.

**Key Words:** *street-level bureaucracy, organizational reform, Hartz-reforms, Federal Employment Agency, employment service*

**JEL Classification:** D73, H83, I38

## 1. INTRODUCTION

Providing assistance to the unemployed and placing them in jobs is the core business of an employment service. The success of job counseling depends heavily on the acting persons and the organizational context. We therefore examine Germany's recent labor market reforms. The so-called "Hartz-reforms" are particularly based on the idea of a new balance between individual rights and obligations (Giddens,1998), including 'activation policies'. Activation means that the state must both place more trust in its citizens and also expect more from them (Dingeldey,2006).

Moreover, the German Federal Employment Agency ('Bundesagentur für Arbeit', or 'BA') should be turned into a 'service provider' similar to a private corporation, treating unemployed like 'clients'. Counseling had to become more customer-friendly, faster, higher-quality, and less bureaucratic (Bundestag 2003). Moreover, the services follow a more contractually-oriented rationale. Since 2005, local job offices are responsible for the persons who are entitled to unemployment insurance benefits ('unemployment benefit I'). Needy recipients of means-tested benefits ('unemployment benefit II') are counseled by cooperative organizations between municipalities and local job offices or some municipalities which are fully responsible.

The research on counseling processes has grown in recent years. In 2006, it was still called the "'terra incognita" of labor market research' (Sell,2006:45, similarly, Baethge-Kinsky et al.,2007). We contribute to this research by examining job caseworkers' attitudes towards their work. The results from previous studies have been primarily from qualitative research. Those studies investigate what should be considered 'good' counseling, and what services clients need (for example Baethge-Kinsky et al.,2007, Hielscher/Ochs,2009, Hirsland/Ramos Lobato,2010, Koch et al.,2009, Ludwig-Mayerhofer et al.,2008a & 2008b, Wenzel,2008).

Quantitative studies on caseworkers' influence are still sparse. Hofmann et al. (2010) show that unemployment duration decreases with a lower ('better') ratio of clients per caseworker. Boockmann et al. (2010) find that caseworkers use different strategies. Frölich et al. (2007) analyze the influence of PES on the employment probabilities of the unemployed using Swiss data. They find

evidence that a focus on rapid reintegration and on intensive cooperation with employers, cooperative relationships with private institutions, and a strategy focused on pressure and control helps to achieve these goals. Behncke et al. (2010) find that chances for reintegration improve if caseworker and client belong to the same social group.

These works were able to draw on articles about the reorganization of the BA itself (e.g., Vaut,2004, Schütz/Mosley,2005, Sell,2006, Steinke,2007, Konle-Seidl,2008, Schütz,2008). Here one may also cite the evaluation of the Hartz-reforms (Iso/Ochs,2006).

In our article, we focus on two questions: First, how do caseworkers at the local agencies view the reorientation of the business system? Second, is the caseworkers' self-perception consistent with what is required under the new orientation? With Lipsky (1980), we argue that a successful implementation of reforms depends to a considerable degree on the lower levels of the hierarchy in public administrations. Therefore, we use empirical data from a standardized survey among caseworkers. The remainder of the paper is organized as follows: Chapter 2 focuses on organizational reform and the street-level bureaucracy approach. Chapter 3 presents the data, chapter 4 the empirical results. Conclusions are drawn in Chapter 5.

## **2. THEORETICAL CONSIDERATIONS**

### **2.1 New approaches in job placement: Organizational refocusing and new business system**

The Hartz-reforms are the most fundamental social policy reforms in Germany's post-war history. In 2002, the BA was criticized for publishing incorrect statistics about integrations and being ineffective. Its reorganization was one of the important aspects of the subsequent reforms. Management structures and a controlling system based on key performance indicators were introduced. Moreover, important processes were standardized. For example, unemployed undergo a mandatory 'profiling' identifying their strengths and weaknesses. This profiling is used for categorizing clients in terms of their labor market attachment.

Moreover, job offices have to conclude 'integration agreements' with clients. These agreements define which efforts the client is expected to make, but also what assistance he can expect. Clients' misdemeanor may lead to benefit reductions. Apart from that, the BA has often been criticized for disregarding

employers. For that reason, at least 20% of caseworkers' capacity is supposed to be available for activities oriented to employers or job openings (BA,2006:23). There are specific caseworkers and teams who deal exclusively with acquiring vacancies. This means taking greater account of the demand side of the job market (Schütz,2008:158–159). Moreover, caseworkers for unemployed are supposed to maintain no contacts with employers.

## **2.2 Caseworkers as street-level bureaucrats**

Implementing reforms is a complex process that is not always successful, or as Pressman/Wildavsky (1984: XXI) note: "Implementation, under the best of circumstances, is exceedingly difficult. (...) Good ideas are dissipated in the process of execution". Staff members play a crucial role in implementing virtually all public policies. In his classical theoretical analysis Lipsky (1980) calls the lower-level workers at the interface between public administration and citizens 'street-level bureaucrats' Meyers und Vorsanger (2006: 154) describe them as follows:

"[S]treet-level bureaucrats have significant opportunities to influence the delivery of public policies. Frontline workers are responsible for many of the most central activities of public agencies, from determining program eligibility to allocating benefits, judging compliance, imposing sanctions and exempting individuals and businesses from penalties."

In other words, street-level bureaucrats determine the nature, amount and quality of services provided by their agencies. They fill gaps in procedural regulations; but they also may intentionally or unintentionally undermine policy goals. The latter – as Lipsky (1980) or Prottas (1978:289) show – may be due to discrepancies between individual and organizational goals, because "managers are interested in achieving results consistent with agency objectives. Street-level bureaucrats are interested in processing work consistent with their own preferences and only with those agency policies so salient as to be backed by consistent sanctions" (Lipsky,1980: 18–19). Different caseworkers in similar situations may therefore make different decisions.

In the next section we describe the role that the BA assigns to caseworkers, and what expectations are associated with that role. It will become clear that those expectations are closely related to the theories of discretionary power.

### 2.3 The caseworkers' role in the PES

The caseworkers' role has changed over time. Caseworkers are an example of a 'role set' (Eberwein/Tholen,1987:286) because they are exposed to conflicting role expectations. Eberwein/Tholen (1987,1988) presented a heuristic typology for caseworkers:

- The '*broker*' wants to deliver employees to businesses, giving priority to well qualified unemployed ('creaming'/'cream skimming').
- The '*social worker*' emphasises assistance for the unemployed. He or she acts as their helper, and less as a service provider for businesses.
- The '*bureaucrat*' relies primarily on formal aspects: he conceives his own options for action as largely defined by others, so that at times he utilises less discretionary power than might be possible.
- The '*counselor*' views himself as a service provider for the unemployed. His focus is on a flexible application of the law and on motivating and encouraging the unemployed. He acts on his own initiative, and attempts to take equal account of the interests of both employers and employees.

The role as a service provider is clearly the desirable ideal type in the course of the BA reforms. It also has a strong conceptual affinity to the approach of a street-level bureaucracy: different roles are associated with different use of discretionary power. Each role is associated with a different interpretation of rules and regulations – whether intentionally or not.

### 3. DATA

We use data from a standardized survey. The sample consists of caseworkers from 10 local job offices that counsel persons who are entitled to unemployment insurance payments and 16 job offices that are responsible for needy recipients and means-tested benefits. The selection of the job offices took account of the widest possible variety of job market situations, organizational forms, and different models for performing tasks. The results are not representative for all job offices in Germany, but offer the first quantifiable results regarding the job offices' 'inner life'. The data set includes questions about socio-demographic variables, individual attitudes, and the local context.

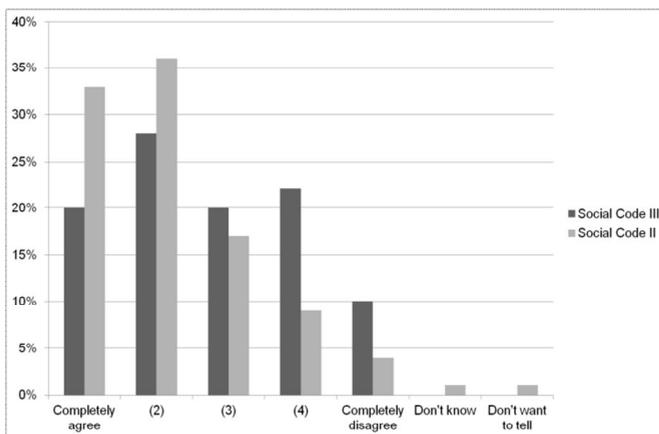
We focus on caseworkers for unemployed persons above age 25', The survey was voluntary; respondents could participate either online or by returning the questionnaire by mail. The field phase of the survey ran from March to June 2009. Moreover, during the field phase all potential participants received two reminder emails to encourage full participation. The gross random sample comprised 1,563 persons, 537 (34%) of whom responded.

#### 4. EMPIRICAL FINDINGS

In the following, we refer to the theoretical considerations presented in chapter 2, and intend to show to what extent the caseworkers agree with the reforms or not. For that purpose we selected the integration agreements, the separation between applicant-oriented and employer-oriented caseworkers, profiling, client differentiation and the need for rules and directives for action.

Figure 1 illustrates the caseworkers' fundamental assessment of the integration agreements. The proposed statement was: 'In general, integration agreements are a useful tool of trade for me.' The 5-point-scale ranged from 'completely agree' to 'completely disagree.'

**Figure-1: Assessment: Integration agreements are a useful tool of trade**



N = 195 (Social Code III) N = 295 (Social Code II) , source: own graph

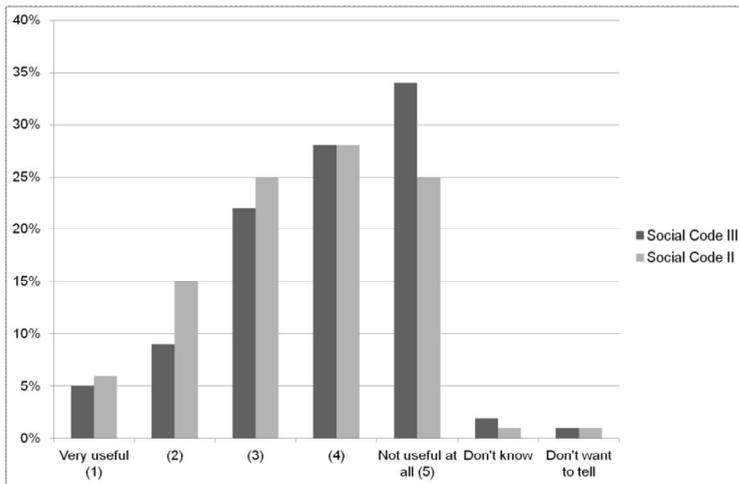
The results show that the integration agreements are regarded as a useful tool of trade among caseworkers. Primarily caseworkers who have clients with unemployment insurance benefits (Social Code III) agree to the statement (69% completely or somewhat, only 13% disagree somewhat or completely).

Agreement among caseworkers for needy recipients is more reserved (48% agree completely or somewhat, 32% disagree somewhat or completely). The caseworkers under Social Code III may experience the agreements as inappropriate for certain groups (mostly clients well prepared for the market, such as highly skilled persons, academics, or businesspeople), because 'these people are active anyway' (Ludwig-Mayerhofer et al.,2008a:209). Similar considerations among caseworkers may be of significance here.

Moreover, if one also looks at the assessment of two further statements ('Integration agreements exist so that the client can demand his rights' and 'Integration agreements exist to put pressure on the client'), it becomes clear that a balance between rights and duties is discerned more strongly among caseworkers working under Social Code II than under Social Code III. Nearly 28% of the respondents working under Social Code II agreed with both statements, but only 13% of those under Social Code III. The aspect of duties is discerned with similar frequency in both groups, but under Social Code II, 17% agree that the agreements include rights exclusively, while under Social Code III only 8% agree. It seems that reciprocity in the contractual relationship has still not been achieved. Integration agreements are viewed primarily as a legal foundation for sanctions.

There are two different forms of caseworkers, applicant-oriented and employer-oriented caseworkers. Successful cooperation between caseworkers may depend on the extent to which the division of labor is regarded as reasonable. This was surveyed with the following question: 'How reasonable, in terms of integration into work, do you consider it when applicants and employers are each assisted by different caseworkers?' The scale ranged from 'Very useful' to 'Not useful at all.' The results are shown in Figure 2.

**Figure-2: Assessment: It is reasonable to divide work between applicant-oriented and employer-oriented caseworkers**



N = 184 (Social Code III) N = 194 (Social Code II), source: own graph

Especially caseworkers under Social Code III are sceptic concerning the specialization. More than 60% believe it is not at all or only slightly reasonable, while barely 15% take a somewhat or entirely positive view of the model. Under Social Code II, likewise the majority (53%) are unconvinced, while about 21% support the model.

Profiling was viewed as an important and useful tool of trade by both groups of caseworkers, but especially in the group under Social Code II. 62% of the caseworkers considered it very or somewhat helpful, compared to 57% among those working under Social Code III. Profiling was somewhat or entirely disapproved by only 12% (Social Code II) and 14% (Social Code III) of the caseworkers. A similar picture also appears in regard to client differentiation. Two-thirds of the respondents agreed completely or somewhat with the statement that a systematic client differentiation is generally a useful tool of trade, while only 13% and 10% of the caseworkers disagreed.

With regard to a general assessment of the existence of regulations and directives in day-to-day work, there is clearly no unanimous opinion in either group of workers about the practice of 'management by rules'; rather, a considerable number of caseworkers are indifferent to explicit rules and directives for action. This result is remarkable. All in all, the respondents felt that the rules and action

directives were not independent of situations or adequate for each individual case. Lipsky (1980) already pointed out that public administrations often suffer from ambiguous or conflicting goals. One example may be the conflict between legal regulations on the one hand, and the need for individual treatment on the other hand. Huge case loads may also counteract individualized counseling.

Caseworkers were asked to assess their own roles. Table-1 shows the results from Sell (1999) and our survey. The former provides the self-assessments from two graduating classes from the University of Applied Administrative Sciences, which we compare to our results.

**Table-1: Perception of own role in the job placement process**

Type	Sell (1999)	Total (2009)	Social Code III	Social Code II
Broker	23%	6%	8%	5%
Street-Worker	21%	27%	12%	37%
Bureaucrat	15%	13%	13%	12%
Service Provider	41%	50%	64%	41%
Don't know	-	3%	3%	3%
Don't want to tell	-	2%	1%	2%

N = 158 (Sell 1999); N = 182 (Social Code III) N = 266 (Social Code II), source: own calculations

For the period after the reform, we note distinct changes in these caseworkers' views of themselves. In the group working under Social Code III, nearly two-thirds of the respondents state that they view themselves as service providers for the client. The roles of broker and social worker (8% and 12%, respectively) have lost significance; approximately 13% consider themselves as bureaucrats. The differences between the groups working under Social Code III and Social Code II are noteworthy: in the latter group, a substantial number of the caseworkers view themselves more as street workers (37%). This may be a response to the characteristics of the clientele under Social Code II, who are less fit for the job market. Further investigations may yield more insight in this aspect.

However, it appears uncertain whether the changes in the caseworkers' self-perception are relevant to their actions. This points in general to the problem of the validity of self-assessments.

### 3. CONCLUSION

This article has examined the reform process within the BA. We analyzed the caseworkers' attitudes towards different aspects of their daily work. Caseworkers

are street-level bureaucrats at the interface between the PES and its clients. Success of reforms always also depend on street-level bureaucrats' behavior.

All in all, caseworkers fundamentally support the latest reforms. However, certain elements of the reforms are viewed ambivalently or critically. Specifically, profiling and client differentiation, and integration agreements receive positive reviews, but the extensive standardization with rules and directives is viewed ambivalently. It may be relevant that the caseworkers do not believe that making counseling more formalized will ensure its success. This corresponds with the opinion of Schütz (2008), who holds that job offices and caseworkers have substantially less discretion for implementation since the reforms than they had before. The caseworkers are especially critical of the organizational separation of applicant-oriented and employer-oriented placement teams.

A majority of the caseworkers view themselves as service providers for their clients, many who assist needy recipients see themselves as social workers. This may be due to the characteristics of the clientele in this group, who are considerably less attached to the job market. Comparisons with previous studies (Sell,1999) suggest that a change in the caseworkers' self-perception may very well be taking place.

It should be pointed out once again that the caseworkers' activities are incorporated into an organisational context which comprises, on the one hand, centrally defined requirements and directives for action, but on the other hand, also demands individual counseling. This bureaucratic dilemma between standardization and individual needs is a challenging task for the BA.

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