

Political situation on employment politics in Leipzig

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After the fall of the wall, eastern Germany companies were founded in order to organise short term employment possibilities for those who had been laid off from the old 'Kombinate' factories. There were also some ideas of using these companies as 'regional development centres'.

Shareholders of these companies – mainly limited companies – were trade unions, private individuals and sometimes also worker's associations.

Financing was mainly organised through the "Bundesanstalt für Arbeit /Arbeitsamt" – i.e. the national governmental organisation for the unemployed/ Job Centre. Financing also came partly from the (national) privatisation agency – the "Treuhand". To this some local money was added.

Under the umbrella of the so called 'ABS companies – Arbeitsförderung, Beschäftigung, Strukturentwicklung – companies for employment and regional development', communes like the City of Leipzig also organised special units for the provision of short term (public) work and employment. These were mostly departments within the normal administration or sometimes limited companies.

In Leipzig this unit was organised as a department within the administration – the name was bfb (Betrieb für Beschäftigungsförderung – company for employment).

In the beginning of the 90s, the aforementioned non-communal ABS in the Leipzig region was rather strong, at least stronger than the communal department bfb at that time. In the beginning, they also had strong ties to the old companies from which most of the people came.

They had nearly 5000 employees around 1992/93, the bfb only 400.

But as time went on, the number of those who got social welfare from the commune rose, ABS ties to the old – mostly closed or privatised – companies loosened.

So in 1995/1996 the different ABS together only had around 1000 people employed, the bfb's numbers rose to more than 3000 people who were normally employed for one year.

In 1997/1998 the ABS were closed (there had also been some mismanagement and corruption) and in the national election year of 1998, the bfb had during some months up to 8000 employees.

During these years, the City of Leipzig used this instrument, not only to organise employment for the unemployed – at least for one year – but also for ordinary public work the City had to do anyway – even without this department it would have been later. This work was given to the bfb from the different other departments (housing, environment and so on) within the City.

To organise and use one year contracts for employment, was insofar interesting for the City, as they employ those who get social welfare subsidies from the City – after one year employment the German regulations bring back them to the 'Job Centre' – and know that the Job Centre has to pay and not the City.

In this way the City used the bfb as an institution to reduce the burden on their budget. Therefore, people often had real ‘subsidised careers’ – from social welfare, one year bfb, then unemployment fees, then again social welfare, and then again bfb and so on.

Due to the economic circumstances, unemployment stayed at a high level and in the second half of the 90s it rose again.

At the end of the 90s, Leipzig had a situation which meant that the bfb had a strong position in different ways:

1. Up to that time, it was the biggest and mightiest unit in the City implementing employment measures. The restoration of old (agricultural) residences in the outskirts of Leipzig as well as renovation work in schools and green field projects were attractive signs of bfb’s work.
2. It served a lot of other communal units in that respect, as the bfb implemented project for these units – with funding from the Job Centre – which otherwise would never have been implemented or delayed by some years. Another (partly false) argument was, it is cheaper to do it the with bfb than with private companies.
3. Up to 40.000 people had gone through this unit from 1991 to 1999 – that meant around 20 % of the voting population of Leipzig.
4. Even if there had been some forms of criticisms in the City’s administration as well as from the Chambers and other local groups, there was no real developed political discussion in the City on (local) employment policies, perspectives and structures. The only answer, how to do something on the local level was – use the bfb.
5. The bfb implemented an average percentage of 35 to 50 % referring to all active labour market instruments in the region of the Job Centre Leipzig. So the Job Centre was (also) dependent on this organisation – at least in the short run – in using their money for active labour market measures.
6. At their peak, the annual turn-over was nearly 250 000 000 DM, with a balance rising to +80 000 000 DM. Criticism on the internal financial management system (i.e. the lack of a cost accounting systems and internal controlling, cross financing of different sectors) were made by the City’s internal and governmental auditors for some years but resulted in no action being taken.

In 1999 the former head of the bfb was suspended.

After an interim period of half a year, a new leadership of the bfb was elected by the City council in summer 2000.

It was rather clear after some months, that it would not only be necessary to reconstruct the bfb and adapt it to new external funding conditions, but also that a new approach to active labour market policies and structures for the City was needed.

The reconstruction was furthermore necessary because of changing conditions in the external funding situation for active labour markets on the communal level. Up to the end of the 90th the City itself had to contribute around 40% to the costs of overhead and material equipment for the bfb. The other 60% came – as well as wage funding (100%) for the one year employed people – from external sources. The city’s share increased dramatically to 85% with only 15% coming from external sources from the year 2000 onwards.

Even if people were not really aware of it, the quasi monopoly of the bfb was now being confined to the history. The last surviving 'Kombinat' from the GDR with outdated practices and rigid internal structures.

Although the statutes of the bfb officially declared that there should be an orientation towards the first labour market (people in work) the reality was something different. Every practice and the way of thinking was inwardly oriented and removed from the real world.

In summer 2001 – after a longer discussion about this situation between the newly elected mayor (1998) and the new bfb leadership – an ad-hoc group, composed of members from all relevant units of the City, was installed, under the chairmanship of the speaker of the bfb.

This ad-hoc group had the task to carry out an analysis of the weaknesses of the City's current labour market policy, strategy and instruments as well as to make proposals on how to change this situation.

The delivered report was widely accepted by the City administration, the City council as well as by important local groups. Many of these groups are members of a newly installed 'working group for local employment actions'. The City Council decided to set up this group to consult the City's administration as well as the City Council itself. In this group all relevant local Leipzig actors (chambers, churches, unemployment organisations) are represented.

The essence of the aforementioned report is the following statement - referring to Leipzig employment policies:

“The weakest point at the moment is the lack of content steering (content orientation) and co-ordination of those activities, which are initiated and financed by the City.”

In the proposals there are a lot of short and medium term actions – in the short run for example the learning from other international experiences – like those from other OECD member countries.

In the medium term, it was proposed to concentrate on questions like hierarchies of aims, target groups and evaluation of measures and instruments of employment initiatives.

At the same time, the City had to deal in 2001 with some severe financial problems of the bfb. Because of the above mentioned problems from the past, there was no clear financial overview.

The consequence of a more in depth financial survey as well as the changed external funding conditions proved it necessary to restructure the whole old Kombinat, with a lot of activities being sold or closed down.

Both discussions (new political orientation, financial survey) culminated in a paper on the new direction of Leipzig social and labour market policies and structures.

This paper also was accepted in the City's Council meeting in December 2001. The main topics of this actual important paper on the direction of labour market policy are:

Five ideas are relevant for the future work:

- I. I. Leipzig employment policy has the guiding idea of Support and Challenge
- II. II. Leipzig employment policy opens individual chances
- III. III. Leipzig employment policy develops and initiates adequate instruments and measures to different target groups
- IV. IV. The City of Leipzig co-operates with all relevant groups in the region to constitute a broad network for implementing employment activities
- V. V. Leipzig is a work place for innovative communal and innovative labour and employment policy

As areas of action are defined:

1. Co-ordinated and content oriented steering of communal labour market policy
2. Bringing together different relevant policy fields for employment within the City
3. Defining target groups and directing the network referring to this target groups
4. Controlling and evaluation of measures and groups connected with the social and economic aims of the City
5. Co-operation with all relevant groups in the region to constitute a broad local employment network.

In the City Council's decision from December 2001 it is stated:

“A new orientation and profile cannot be implemented via the old structure of communal employment policy. Communal employment politics have to be re-organised and adjusted to new guiding ideas, targets and target groups.”

So the time of the conference might be an ideal one, to learn from OECD-LEED experiences and in this way help to adjust the local policy to international standards.

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