

Krzysztof Nyklewicz

Activation of Long-Term Unemployed in the Eastern Regions of the Federal Republic of Germany

Olsztyn Economic Journal 4/2, 182-196

2009

Artykuł został opracowany do udostępnienia w internecie przez Muzeum Historii Polski w ramach prac podejmowanych na rzecz zapewnienia otwartego, powszechnego i trwałego dostępu do polskiego dorobku naukowego i kulturalnego. Artykuł jest umieszczony w kolekcji cyfrowej bazhum.muzhp.pl, gromadzącej zawartość polskich czasopism humanistycznych i społecznych.

Tekst jest udostępniony do wykorzystania w ramach
dozwolonego użytku.

**ACTIVATION OF LONG-TERM UNEMPLOYED
IN THE EASTERN REGIONS OF THE FEDERAL
REPUBLIC OF GERMANY**

Krzysztof Nyklewicz

Chair of Social Policy
University of Warmia and Mazury in Olsztyn

Key words: activation, unemployment, labor market.

Abstract

The process of the standardization of the economic structure in the eastern and western lands of the Federal Republic of Germany has, nonetheless the strong involvement of the state over two decades, not been completed yet. This is confirmed by the diversified situation in the labor market in both parts of the country, which is much more difficult in the eastern regions. The reduction of long-term unemployment that stays at a relatively high level somehow contrary to the implemented labor market reforms and favorable market development during the years 2005–2008 is the most urgent task.

**AKTYWIZACJA DŁUGOTRWALE BEZROBOTNYCH WE WSCHODNICH REGIONACH
REPUBLIKI FEDERALNEJ NIEMIEC**

Krzysztof Nyklewicz

Katedra Polityki Społecznej
Uniwersytet Warmińsko-Mazurski w Olsztynie

Słowa kluczowe: aktywizacja, bezrobocie, rynek pracy.

Abstrakt

Proces ujednolicania struktur gospodarczych wschodnich i zachodnich landów RFN nie został zakończony, mimo trwającego dwie dekady silnego zaangażowania państwa. Świadczy o tym zróżnicowana sytuacja na rynku pracy w obu częściach kraju, przy czym we wschodnich regionach jest ona o wiele trudniejsza. Najważniejszym zadaniem jest redukcja długotrwałego bezrobocia, które utrzymuje się na dość wysokim poziomie, jakby na przekór realizowanym reformom rynku pracy i korzystnemu rozwojowi koniunktury w latach 2005–2008.

Introduction

The decrease in production caused by the economic crisis has been perceptible in the labor market of eastern Germany at the end of 2008. The employment during the fourth quarter of that year decreased (disregarding seasonal fluctuations) by 0,4% as compared to the preceding quarter and during the first quarter of 2009 by even 0,6%, while in the western lands it decreased by 0,3% only (BRAUTZSCH et al. 2009, p. 328). In that way the long phase of continuous improvement of the labor market situation, that was marked by the fact that for the first time since the integration of Germany the market in the eastern lands benefited from the improving market situation, came to an end (BRAUTZSCH 2008). During ten consecutive quarters the employment in the eastern regions of the FRG increased and between 2005 and 2008 it increased in general by 3,2%. The increase in the number of job offers in the open labor market coupled with the decrease of subsidized employment was a favorable phenomenon (KETTNER, SPITZNAGEL 2008, p. 2).

However, despite the understandable satisfaction resulting from the positive development in the labor market in the FRG the question appears whether it expresses the market revival stage or, in this case, it is also the expected result of the labor market reforms, and in particular the introduction of the fourth (last) act within the so-called Hartz concept (*Hartz IV*)¹? The answer to that question is that assuming a relatively short time from the implementation of those changes (1.01.2005) careful optimism can be afforded as there are hints that the reforming efforts give the first fruit (*Die Finanzkrise meistern...* 2007, p. 341).

Nevertheless, that optimistic diagnose should not obscure the issue that is relevant to the German labor market, i.e. the situation of long-term unemployed in the eastern lands of Germany. The differences existing in that respect between the two united parts of Germany are so important that they require almost independent treatment by the labor market policy, particularly as concerns the application of its instruments in activities aimed at the activation of the unemployed.

¹ According to the Act that came into force on 1.01.2005 under the name of *Viertes Gesetz für moderne Leistungen am Arbeitsmarkt* – referred to as the *Hartz IV* – the principles for merging the current dole (*Abeitslosenhilfe*) and the social benefit (*Sozialhilfe*) for people able to take a job into the dole II (*Arbeitslosengeld II*) were established. As a consequence the dole I (*Arbeitslosengeld I – ALG I*), disbursed as of 1.02.2006 for 24 months to persons that worked a year according to the employment relation covered by the compulsory social insurance, the dole II (*Arbeitslosengeld II – ALG II*), established at the level of minimum existence to which everybody satisfying the statutory criteria and is able to work, is eligible currently exist. The people who are unable to work and do not receive any aid benefits are eligible to the social benefits (*Sozialhilfe*).

Even partial discussion of the above issues seems an undertaking that is highly needed, especially in the context of the experiences that could be useful in solving the existing difficulties in the labor market of the eastern regions of Poland.

Active labor market policy and its instruments

The active policy is a complex set of individual means and priorities assigned to them and its success depends to a large extent on the quality of instruments applied and their mutual influence (FERTIG et al. 2006, p. 576). Its basic aim is to prevent unemployment and to support employment through state controlled means of support.

The implementation of new legal regulations for the labor market in the FRG contained in the “Acts on modern labor market services” (*Gesetze für moderne Dienstleistungen am Arbeitsmarkt*, the so-called Hartz – Gesetze²) and the government program AGENDA 2010 influenced increasingly the intensive implementation of the principle of “supporting and demanding” (*Fördern und Fordern*) in the labor market policy according to which the assurance of substitute benefits should be linked with the guidelines of that policy more tightly (CALIENDO, STEINER 2005, p. 397). The instruments of activation of unemployed applied within its frameworks can be divided into the traditional ones and the new orientation ones (*neuorientiert*).

Among the traditional instruments creating temporary employment in the co-called second (subsidized) labor market the special role is played, particularly in the eastern lands of Germany, despite the clear decrease of their rank during the recent period, to the programs serving the creation of jobs (*Arbeitsbeschaffungsmaßnahmen* – ABM). Structural adjustment programs (*Struktur Anpassungsmaßnahmen* – SAM) were the second important instrument, although their influence was short-term.

As of the moment of introduction of the active labor market policy in Germany the frameworks of the influence of which had been outlined already in the act on labor support (*Arbeitsförderungsgesetz* – AfG) already in 1969 ABM became an important component of it because it was their task to create the conditions for the unemployed to join again the regular (not subsidized) employment. In order to avoid competition with the open market specific

² In August 2002, the so-called Hartz commission consisting of 15 persons from the world of politics, economy, trade unions and science, under the chairmanship of Peter Hartz – a long-term manager of the Volkswagen AG, presented the proposals concerning the German labor market reform. The task of the commission was to establish how to make the labor market policy more effective, in what way to reform the Federal Labor Agency and what activation of the unemployed was to involve. The concepts/proposals presented by the commission were implemented in a sequence and assumed the name of the “acts”.

requirements were introduced as concerns the people and type of work that could be encompassed by the ABM. The most important of them was the “additional” nature of such jobs, i.e. without government support they could not be conducted, and if they could, then only at a later time. The basic criterion of assigning them to the entities implementing them is that they must be consistent with the public interest, they must serve directly or indirectly wide groups of people and they should match the priorities formulated to overcome the difficulties in the fragmentary labor markets – regional or vocational. According to its fundamental concept ABM programs directed at the labor market problem groups, i.e. the people with particularly big difficulties in finding permanent employment, including the long-term unemployed (HUJER, THOMSEN 2006, p. 331).

Economic stabilization of the participants and preparation for later (re)integration into the regular labor market is the main objective of the programs. The financial support of employment generally takes place in the form of a subsidy amounting 30–75% of the wage. Legal entities, public utility organizations and, in exceptional situations, also private enterprises are the entities responsible for the implementation of the ABM. The subsidizing of work occurs either through a partial coverage of the labor costs or through loans assigned to employees and as a rule continues for 12 months, although in justified cases it can amount to 24 or 36 months if that would lead to permanent employment (HUJER, ZEISS 2007, pp. 384–385).

The programs defined as the SAM targeted on the other hand all the unemployed and even people at risk of unemployment could participate in them. The jobs carried out within such programs served mainly maintaining or improving the natural environment status. The responsible entities could be supported by the Federal Labor Office³ as of 31.12.2002, if, thanks to such support, they created new jobs in which people referred by the labor offices and classified by them as requiring exceptional support could be employed.

The project referred to as the “Program of structural adjustment – east – for economic undertakings” (*Strukturanpassungsmaßnahmen Ost für Wirtschaftsunternehmen* – SAM OfW), implemented only in the eastern lands with participation of private enterprises that received subsidies to payroll in exchange for new jobs, represented a special case of the here discussed aid (CALIENDO, STEINER 2005, p. 399).

The implemented labor market reforms that were the consequence of the Hartz acts, led to the modernization of the traditional instruments and introduced new ones focused on other than earlier objectives and groups of people concerned and functioning on different legal bases. Above all, the regulations applicable to the ABM and SAM were unified and both instru-

³ Predecessor of the Federal Labor Agency.

ments were merged in one. The regulations applicable earlier to the ABM only are the legal base for it.

“Employment opportunities” (*Arbeitsgelegenheiten – AGH*)⁴ are the instrument that represents an innovation in the current arsenal of the means of support. There are two variants of that instrument:

- with compensation for additional efforts (*Mehraufwandsentschädigung*), also known as jobs for a single euro, the additional job or the bridge job (*Ein-Euro-Job, Zusatzjob, Brückenjob*),
- with remuneration (*Entgeltvariante*).

Concerning the first variant those jobs must be complementary and publicly useful while the people participating in the program receive, in addition to the dole (*Arbeitslosengeld II*), a compensation for additional employment related outlays amounting to 1–2 euro (hence the name *Ein-Euro-Job*) for each hour of work as well as reimbursement of travel costs related to the job (BERNHARD et al. 2008, p. 26).

Regarding the second variant “with remuneration” the work does not have to be publicly useful in character and it does not have to be “additional” while the participants receive regular wages subsidized by the Federal Employment Agency. Such employment is covered by the compulsory social insurance including unemployment insurance. The scope and duration of aid are not determined in the statutory regulations⁵, and in determining the length of support the so-called inappropriate stimuli (*Fehlanreize*) leading to abuse should be considered to hinder regaining the rights to the dole⁶.

Unemployment in the eastern regions of the Federal Republic of Germany

In 2005, when the last component of the Hartz reform (*Hartz IV*) became effective, the size of unemployment in Germany increased by 380000 people, which was caused by the “shift effect” (*Umstellungseffekt*). That effect meant that people able to work and receiving social aid until the end of 2004 had been

⁴ The active labor market policy instruments presented in this paper are defined in the German subject literature as the “publicly supported employment” (*Öffentlich Geförderte Beschäftigung*). The legal base for establishing and implementing them is given by the Social code (*Sozialgesetzbuch*), which consists of XII titles. ABM is in the area of influence of title II – § 16 section 1 (SGB II) and title III- in connection with §§ 260 and following (SGB III). On the other hand the AGH are based on the statutory assumptions of title II only – variant with the compensation according to § 16 section 3 point 2, and the variant with remuneration to § 16 section 3 point 1.

⁵ According to the conducted studies, in 2005 as many as 18,4% of the AGH lasted for less than three months, 15,7% from 3 to 6 months, 42,1% exactly 6 months, and 23,5% from 6 to 12 months while only 0,5% exceeded the period of 12 months (WOLFF, HOHMEYER 2006, 47).

⁶ www.arbeitsagentur.de/zentraler-Content/A01-Allgemein-Info/A015-Oeffentlichkeitsarbeit/Publikation/pdf/Arbeitshilfe-AHG.pdf

registered as unemployed at the beginning of 2005 and they could be required to take up a job (*Zumutbarkeitsklausel*). The “mitigating effects” (*Entlastungseffekte*), which occurred mainly as a result of changes in the incentives, more extensive care for the unemployed and the application of the active labor market policy – especially occasional work – had slightly different consequences (*Arbeitsmarkt 2005*, p. 63).

The unemployment rate in 2005 in the entire Federal Republic of Germany was 11,7% and it was higher by 1,2% as compared to 2004, however, in the eastern lands it reached 18,7% and was twice as high as in the western lands, where it was 9,9%. Without applying the labor market policy instruments the unemployment rate would be even higher. Those instruments targeted more specifically long-term integration of the unemployed with the open labor market and, according to the principle of “support and require”, the unemployed were challenged by high requirements as concerns collaboration and own initiative (*Arbeitsmarkt 2005*, pp. 64–65). Despite a clear unemployment decrease during the following years the relations of unemployment rates between the eastern and the western lands remained at an unchanged level (Fig. 1).

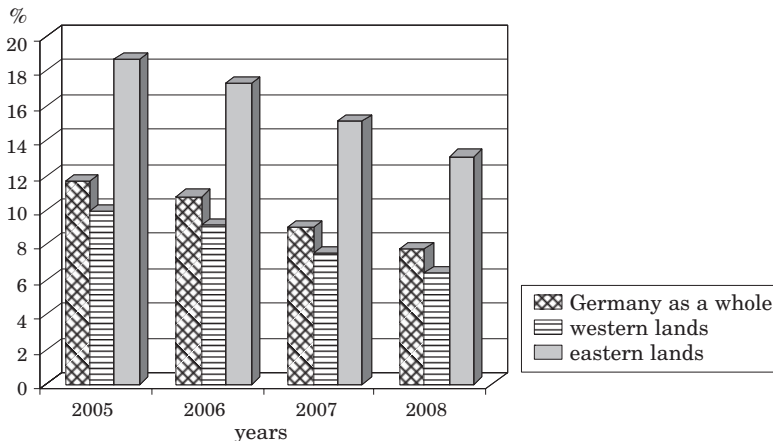


Fig. 1. Unemployment rate in the eastern and the western part of Germany during the years 2005–2008

Source: *Arbeitsstatistik* (2008, p. 56).

The analysis of unemployment rates in individual lands indicates clearly the disproportions between them. In all the eastern lands two digit unemployment rates have been observed during the years 2005–2008 while in the western lands that situation has been noticed in Bremen only. The eastern land with the highest unemployment rate during the investigated period in Germany was Saxony-Anhalt with its values at: 2005 – 20,2%, 2006 – 18,3%,

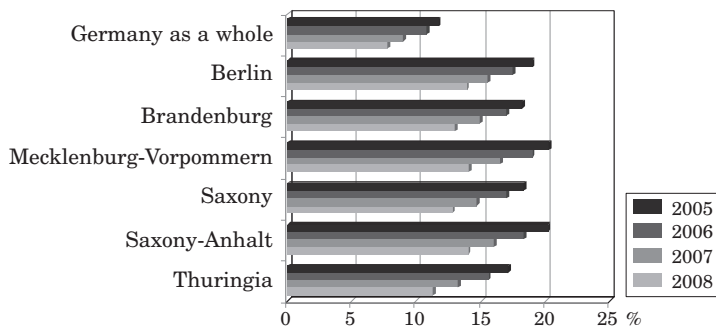


Fig. 2. Unemployment rate in the eastern lands of Germany during the years 2005–2008
Source: *Arbeitsstatistik* (2008, p. 56).

2007 – 16%, and 2008 – 14% respectively (Fig. 2). At the same time in Baden-Württemberg, the land with the lowest unemployment rate in the country, the situation developed as follows (assuming the same order of analyzed years): 7%, 6,3%, 4,9% and 4,1%.

The presented unemployment rate values at both regional level and at the level of individual lands show a big gap dividing the two parts of Germany as concerns creation of new jobs on one hand and the scope of active labor market policy application on the other. The structure of the population of the unemployed, and in particular its part defined as long-term unemployed has a significant influence on the effectiveness of that policy because the programs of active labor market policy are directed mainly at them⁷ (Tab. 1).

Taking into account the gender criterion, it should be concluded that during the covered years 2005–2007 women dominated in the group of long-term unemployed in the eastern lands and that situation was relatively stable. On the other hand in the western lands the position of women deteriorated year after year as their number among long-term unemployed increased systematically while the number of men in that group decreased.

⁷ The established long-term unemployment expressed both in absolute and relative numbers represents a difficult problem of the German labor market. The German Economic Experts Board, the so-called Five Wise Men (*Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung*) sees that category of the unemployed as the largest problem group in the labor market next to the people with low qualifications. As of the beginning of 2006, as a consequence of the *Hartz-IV* reform introduction a drastic increase in long-term unemployment took place. As a result of combining the dole with the social benefit and introduction of the basic security for those searching for a job as of 1.01.2005 the size of the unemployment hidden within the social aid system has been revealed. The people who at that time were registered for the first time as unemployed and during the following period did not get out of that situation obtained the status of the long-term unemployed (*Das Erreichte nicht verspielen* 2007, pp. 336–337).

Table 1
Long-term unemployment in Germany as a whole, in the western and the eastern lands according to the selected characteristics during the years 2005–2007 (%)

Characteristic	Year	2005			2006			2007		
		O*	Z	W	O	Z	W	O	Z	W
Unemployed including:		100	100	100	100	100	100	100	100	100
Men		54.1	57.7	48.2	50.4	51.5	48.1	47.2	48.1	45.6
Women		45.9	42.3	51.8	49.6	48.5	51.9	52.8	51.9	54.4
Office workers		36.3	36.3	36.4	34.6	34.0	35.7	34.8	34.2	36.0
Manual workers		63.7	63.7	63.6	64.5	65.0	63.4	64.6	64.9	63.4
Age groups:										
under 25 years		2.8	2.7	2.9	2.7	2.9	3.2	2.3	2.2	2.6
25–49 years		62.1	61.0	63.8	63.0	62.9	63.0	61.8	62.1	61.3
50–65 years		35.2	36.3	33.2	34.0	34.1	33.8	35.8	35.6	36.1
Length of unemployment:										
1 year to 2 years		46.6	48.7	43.1	51.0	53.9	45.0	42.7	42.4	43.4
2 years and longer		53.4	51.3	56.9	49.0	46.1	55.0	57.3	57.6	56.6

*O – Germany as a whole, Z – western lands, W – eastern lands.

Source: *Arbeitsmarkt* (2006, p. 208); *Arbeitsmarkt* (2007, p. 185).

Considering the category of “employment”, it should be pointed out that the proportion of long-term unemployed “office workers” to “manual workers” remained at a similar level of 1:2 in both parts of Germany.

With regard to “age groups” of long-term unemployed given in the table, a significant differentiation between them should be noticed, although the percentage of people unemployed the longest was found in the age group of 25–49 years and it reached the level of approx 62%; whereas in the eastern lands it was slightly higher than in the western lands; the age group with small potential for (re)integration with the open labor market, i.e. 50–65 years, in the eastern part of Germany was in a worse situation because during the analyzed period its share in the population of long-term unemployed increased.

Considering the structure of the “long-term unemployed” category, it can be assumed that during the entire analyzed period the percentage of persons unemployed for two and more years was much higher in the eastern than in the western regions of the FRG and ranged within 55%–56,9%.

The findings above indicate significant differences not only in the scope, but also in the different structure of long-term unemployment between both parts of Germany. That situation causes that the applied measures/programs of the active labor market policy must be diversified and have to be adequate to the existing situation to be able to achieve the assigned objectives effectively.

Long-term unemployed in selected active labor market policy programs

In 2005, as a result of the implementation of the regulations within the bounds of the *Hartz IV*, an increase in the overall number of unemployed occurred coupled with an increase in the numbers of long-term unemployed by 5%, but in relation to the total number of the unemployed it decreased from 38% to 36%. In the eastern lands the situation of long-term unemployed was more difficult than in the western ones. The share of long-term unemployed in the total number of unemployed people was 41% and it was 7% higher than in the western lands. On the other hand the population of that category of the unemployed in the eastern lands decreased while in the western lands it increased (from -3% to 11%). The diversification of long-term unemployment from the gender perspective is worth noticing – in the western part of Germany men were 36% of that category and women 31% while in the eastern land those proportions were the opposite. There 46% of women were unemployed for longer than 12 months while that proportion of men was 38% only (*Arbeitsmarkt 2005*, p. 74).

With the increase of the average duration of unemployment, in 2006 an increase in the numbers of long-term unemployed was also recorded. 51% of people in that category benefited from the remedy measures and programs offered by the SGB II, however in the area of influence of the SGB III they represented just 25% of the population. In the eastern regions of Germany during that time a relative decrease in the numbers of long-term unemployed as compared to the western regions occurred. The share of that group in the total unemployed population in the east of the country remained at the unchanged level of 41% while in the west it increased by 8 percentage points to 42%. That result is also a consequence of the Hartz reform that had a stronger impact on the western lands (see footnote 6). Its consequences were also experienced among the population of the long-term unemployed women: in the western part of Germany their share was 43% and in the eastern it was 45%, while the situation of men was slightly better at 41% and 38% respectively (*Arbeitsmarkt 2006*, p. 79).

In average, in 2007, there were 17% fewer long-term unemployed than during the preceding year and that result was better than the total level of unemployment, which decreased also, but only by 16%. The share of long-term unemployed in the total number of the unemployed also decreased from 41% to 40%. During that year 2% more long-term unemployed people left the ranks of the unemployed than in 2006. The rate of their departures increased from 9,3% to 11,2% and at the same time the percentage of transition from short-term unemployment to long-term unemployment decreased by 18% (*Arbeitsmarkt 2007*, p. 47).

Long-term unemployment in 2008, similar to the two preceding years decreased further. Its share in the total number of unemployed people in September last year was 37,4 % i.e. 3% less than in 2007. Both the absolute and relative decreases in long-term unemployment during both past years correspond with the observed “model procedure”. It means that this type of employment reacts with a clear delay to the improvement of the market situation (*Die Finanzkrise meistern...* 2008, pp. 178–279)⁸.

That significant decrease of long-term unemployment in the period of 2005–2008 was caused by a high level of economic activity (a good market situation resulting from increasing exports) on one hand and the extensive use of active labor market policy measures on the other. The data in table 2 provide information on that second cause.

Table 2
Rate of outflow from long-term unemployment in Germany during the years 2004–2008 (%)

Item	Year	2004	2005	2006	2007	2008 ^a
Total		8.5	8.3	9.4	11.7	11.7
Open labor market		1.7	1.7	1.8	1.9	1.8
Subsidized labor market		0.7	1.3	1.1	1.3	1.4
Active labor market policy programs ^b		1.4	1.1	1.1	1.4	1.4
Share in total unemployment		38.5	35.4	40.7	39.8	37.1

^a up to September 2008 inclusive.

^b vocational improvement and training programs.

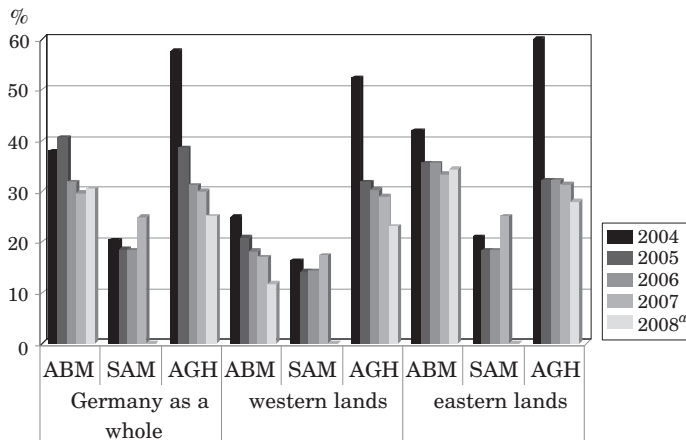
Source: *Die Finanzkrise meistern...* (2008, p. 280).

The analysis of the outflow from long-term unemployment shows clearly the causes of ending it. Those outflows during the years 2005–2008 as compared to the earlier periods increased, which means that an increasing number of the unemployed were included in the vocational life. Those positive changes should be explained mainly by high outflows from long-term unemployment to subsidized employment reaching the level of 1,2% in a month. The number of people who left the ranks of the long-term unemployed and moved to income generating employment during the years 2006–2007 increased by 3,1% per month. This is a definite improvement as compared to the years 1995–2004, when the rate of the monthly outflow was 2,3% only. That strong

⁸ According to the data published by the Federal Labor Agency in June 2009, the number of the long-term unemployed in whole Germany was 932,000 and it was 15% lower than the year before, while the total unemployment increased. Correspondingly the share of the long-term unemployed in the total number of the unemployed also decreased from 38,1% to 29,8% (*Der Arbeits- und Ausbildungsmarkt in Deutschland 2009*, p. 15).

increase of employment in the subsidized labor market segment should be attributed to the introduction of “occasional jobs” representing a new instrument of the active labor market policy within the frameworks of the Hartz reform. Equally, if not more important, is the increase of employment in the open labor market, which allows hoping that at least a small improvement of opportunities for employment of long-term unemployed in that market occurred (*Die Finanzkrise meistern...* 2008, pp. 279–280).

The course of processes within the subsidized labor market in the context of application of the earlier discussed active labor market policy instruments in relation to the group of the long-term unemployed considering the division into the eastern and the western part of Germany is presented in more detail in Figure 3.



^a data concerns only the scope of “access” (*Zugang*) to the active labor market policy programs, thus they are not the year average values

Fig. 3. The share of long-term unemployed in selected labor market policy programs in Germany as a whole as well as in the western and the eastern lands during the years 2004-2008 (%)
Source: *Arbeitsmarkt* (2006, p. 212), *Arbeitsmarkt* (2007, p. 189), *Statistik der Bundesagentur. Juni* (2009).

In 2005, the number of long-term unemployed people who were employed within the frameworks of the ABM was 19,400, representing 40,6% of the total employment in that program. Taking into account the division of that group according to spatial distribution, in the western lands there were 2,448 participants in the ABM while in the eastern ones 16,952. The traditional structural adjustment programs (SAM) were largely reduced in 2005. Among the long-term unemployed significant reductions in employment were observed as well. During the year the work within the frameworks of the SAM

was performed in average by 2,410 people, i.e. 18,4% of all the unemployed people who were employed within the frameworks of such programs and it shows a clear decrease by 62,6% compared with the preceding year. However, dividing that number between the western and the eastern lands we obtain disproportions so symptomatic for both parts of Germany – in the western lands only 90 people participated in the program while in the eastern lands 2,319. Taking a look at the statistics of the long-term unemployed participating in the program of “chance/opportunity for employment in the variant with compensation for additional effort” (AGH-MAE), it must be concluded that 86,797 from that group participated in the AGH, of which 34,650 in the western lands and 52,089 in the eastern lands.

The year 2006 brought another decrease in the number of people employed in the ABM, this time it was 43,700 i.e. 9% lower than during the preceding year. The number of the unemployed in the ABM, who stayed unemployed for longer than a year was diversified in individual lands. In the western part of Germany 9,285 people participated whereas in the eastern lands 34,412 people took part. In 2006 the SAM had almost no influence on the general situation in the German labor market because the participation in them was 6,086 people, of which 1,111 were long-term unemployed people, i.e. 18,3% of the total number of participants in that program. Their number in the western part of Germany was just symbolic at 28 persons whereas in the eastern lands it was higher at 1,083 people but lower by more than a half than during the preceding year. The situation of the long-term unemployed participating in the AGH was slightly better than a year before as their participation in the program increased to 91,315 people, although the disproportion between the western part of the country, where 46,585 unemployed benefited from support, and the eastern part, where 44,730 participants were subsidized, continued.

A decrease in the number of participants in the ABM was also recorded in 2007. The total number of participants during that year averaged 40,500 people i.e. decreased by 11% compared with the preceding year. Considering the employment of the long-term unemployed within the bounds of the ABM, their number in 2005 was 19,400, and considering its division according to the geographic location 2,448 participants originated from the western part of Germany and 16,952 from the eastern part. Similar to the years 2006 and 2007 the structural adjustment SAM programs continued their decrease as the participation in them closed at 1,955 persons of which 489 were long-term unemployed. Out of that number only 9 long-term unemployed were employed in programs of that type in the western lands. The average employment with AGH-MAE programs was 300,100 people of which 164,700 had the “additional employment” in the western lands and 135,400 in the eastern lands. The

average annual participation in the AGH “variant with remuneration” was 21,500 people. For the people who remained unemployed for longer than one year, the year 2007 was not as favorable as the preceding year because their share in the AGH programs decreased to 84,045 people and in the “west-east” distribution the differences were highly visible. In the western part of Germany 45,509 people participated in the programs while the number of unemployed benefiting from ALG-II in the eastern lands was 38,536 people.

A further decrease in the numbers of long-term unemployed (by over 70,000) occurred in 2008. In the western part of Germany it was 612,848 people and in the eastern part 448,920 people. Their share in the total number of the unemployed decreased from 17,3% to 15,0%. Out of 20,443 long-term unemployed (an increase by 861 as compared to the preceding year), who obtained access to the ABM program 1,333, originated from the western lands and as many as 19,110 people were from the eastern lands. The SAM programs did not play almost any role in mitigating the situation in the labor market as the number of participants in them was just marginal. A significant decrease in the use of the AGH programs, from which 175,267 long-term unemployed benefited (in 2007 197,847 people), where 95,228 people came from the western lands (a decrease from 26,6% to 23,2%) and 80,039 people came from the eastern lands (a decrease from 30,4% to 28,0%), was also recorded⁹.

Conclusion

The specific characteristics of development of both parts of Germany resulting from the division after the war still constitutes an important obstacle to their full integration. The analysis of the situation in the labor market in each of them indicates significant differences in both the structure and population of the unemployed. This is visible exceptionally well among people who are without a job for a long period of time. This results in the necessity of the diversified approach to the application of the active labor market policy instruments.

The analysis of the data presented in this paper allows the formulation of the following conclusions:

1. There is a different “picture of unemployment” in both parts of Germany. In the eastern lands the level of unemployment is almost twice as high as in the western ones despite its clear decrease during the years 2005–2008.

⁹ The data referring to the first half of 2009 indicates a continuation of the decreasing trend. The exact numbers are as follows: the ABM was used during that time by 1,560 long-term unemployed including 188 from the western and 1,372 from the eastern lands. The access to the AGH was given to the total of 70,648 people unemployed for a year and longer, in which 37,123 jobs have been created in the western lands and 33,525 in the eastern ones (*Statistik der Bundesagentur für Arbeit*. Juni 2009).

The population of the long-term unemployed in the east of the country is dominated by women, similar to the percentage of people in the age group of 25–49 years and the people being unemployed for longer than two years. However, the people in the age group of 50–65 years are there in the worst situation – their share in the total population of that category of the unemployed increased systematically during the entire period covered by the analysis.

2. Such significant differences in the level and structure of the long-term unemployed between the west and the east of Germany required a diverse use of the active labor market policy instruments. Because of the high share of people from the labor market problem groups (women, the elderly) in the eastern lands the ABM still enjoyed high popularity although their use in the western part of the country was reduced drastically as a consequence of low effectiveness. The scope of application of the traditional structural adjustment programs (SAM), which were applied rather occasionally in the western lands, was relatively higher in the eastern lands. The AGH was the only instrument for activation of the long-term unemployed that was used to a similar extent in both parts of Germany.

3. The consequences of using the above programs for combating unemployment, particularly for the supply part of the labor market, raise many controversies. On one hand numerous negative phenomena accompany the implemented programs. These are for instance the effects of “dislodging”, “taking away” and “substitution” that involve the replacement of the jobs with compulsory social insurance by participants in the program, and particularly by participants of the AGH in the eastern lands (HOHENDANNER 2007, p. 6, 23). Additionally, in many situations the so-called “revolving door” effect that describes the phenomenon of the unemployed joining and leaving the programs without any clear improvement of their vocational situation can be observed. Finally, there are concerns that thanks to the government subsidies the secondary labor market will develop which will weaken the competitiveness of enterprises and reduce the competition for jobs among the unemployed. However, on the other hand, there are numerous positive results of that employment, such as bringing the unemployed closer to the regular labor market, maintaining and increasing their employability, limiting illicit work and assuring their social stabilization are highlighted.

The activation of long-term unemployed in the eastern regions of Germany requires not only government involvement, which aid has reached giant dimensions so far (during the years 1990–2009 money transfers to the eastern lands reached the level of 1,6 billion euro net), but above all such stimulation of the market process that would support the development of free market relations among its participants as only such a situation can strengthen the entrepreneurial behaviors and propensity to bear risk. The point is to change

the mentality of the unemployed – from the “government responsibility for them” to the “individual responsibility for oneself” (CZECH-ROGOSZ 2007, p.132).

Translated by JERZY GOZDEK

Accepted for print 26.10.2009

References

- Arbeitsmarkt*. 2005. 54. Jahrgang, Sondernummer der Amtlichen Nachrichten Bundesagentur für Arbeit, Nürnberg.
- Arbeitsmarkt*. 2006. 55. Jahrgang, Sondernummer 1 der Amtlichen Nachrichten Bundesagentur für Arbeit, Nürnberg.
- Arbeitsmarkt*. 2007. 56. Jahrgang, Sondernummer 2 der Amtlichen Nachrichten Bundesagentur für Arbeit, Nürnberg.
- Arbeitsstatistik*. 2008. Jahreszahlen. 57. Jahrgang, Sondernummer 1 der Amtlichen Nachrichten Bundesagentur für Arbeit, Nürnberg.
- BERNHARD S., HOHMEYER K., JOZWIAK E., KOCH S., KRUPPE T., STEPHEN G., WOLFF J. 2008. *Aktive Arbeitsmarktpolitik in Deutschland und ihre Wirkungen*. IAB-Forschungsbericht, 2: 1–61.
- BRAUTSCH H.U. 2008. *Zur Entwicklung des Ostdeutschen Arbeitsmarktes im Aufschwung*. WSI-Mitteilungen, 9: 486–491.
- BRAUTSCH H.U., DIETRICH D., EXSS F., LOOSE B., SCHULTZ B., ZEDDIES G. 2009. *Ostdeutsche Wirtschaft im Jahr 2009: Aufholen in der Weltfinanzkrise? – Rechnerisch scheinbar, in Wirklichkeit nicht*. *Wirtschaft im Wandel*, 8: 297–355.
- Bundesagentur für Arbeit: www.arbeitsagentur.de
- CALIENDO M., STEINER V. 2005. *Aktive Arbeitsmarktpolitik in Deutschland: Bestandsaufnahme und Bewertung der mikroökonomischen Evaluationsergebnisse*. *Zeitschrift für ArbeitsmarktForschung (ZAF)*, 2–3: 396–418.
- CZECH-ROGOSZ J. 2007. *Wielka koalicja wobec procesu unifikacji gospodarek wschodnich i zachodnich landów RFN*. In: *Polityka gospodarcza państwa*. Ed. D. KOPYCIŃSKA. Wydawnictwo Uniwersytetu Szczecińskiego, Szczecin.
- Das Erreichte nicht verspielen*. 2007. Jahresgutachten 2007/08. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Statistisches Bundesamt, Wiesbaden.
- Der Arbeits- und Ausbildungsmarkt in Deutschland*. Juni 2009. Monatsbericht. Bundesagentur für Arbeit, Nürnberg.
- Die Finanzkrise meistern – Wachstumskräfte stärken*. 2008. Jahresgutachten 2008/09. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Statistisches Bundesamt, Wiesbaden.
- FERTIG M., KLUVE J., SCHMIDT CH.M. 2006. *Die makroökonomische Wirkung aktiver Arbeitsmarktpolitik – eine Panelanalyse auf Ebene regionaler Arbeitsmärkte*. *Zeitschrift für ArbeitsmarktForschung (ZAF)*, 3–4: 575–601.
- HOHENDANNER CH. 2007. *Verdrängen Ein-Euro-Jobs sozialversicherungspflichtige Beschäftigung in den Betrieben?* IAB Discussion Paper, 8: 1–34.
- HUJER R., THOMSEN S.L. 2006. *Wirksamkeit von Arbeitsbeschaffungsmaßnahmen in Deutschland: Empirische Befunde mikroökonomischer Analysen*. *Zeitschrift für ArbeitsmarktForschung (ZAF)*, 3–4: 329–345.
- HUJER R., ZEISS CH. 2007. *The Effects of Job Creation Schemes on the Unemployment Duration in Eastern Germany*. *Zeitschrift für ArbeitsmarktForschung (ZAF)*, 4: 383–398.
- KETTNER A., SPITZNAGEL E. 2008. *Stellenangebot geht zurück, bleibt aber auf hohem Niveau*. IAB-Kurzbericht, 7: 1–8.
- Statistik der Bundesagentur für Arbeit: Zugang in Maßnahmen von Teilnehmern, die vor Eintritt in die Maßnahme langzeitarbeitslos waren*. Nürnberg, Datenstand: Juni 2009.
- WOLFF J., HOHMEYER K. 2006. *Förderung von arbeitslosen Personen im Rechtskreis des SGB II durch Arbeitsgelegenheiten: Bislang wenig zielgruppenorientiert*. IAB-Forschungsbericht, 10: 1–68.