

Social and employment services for the long-term unemployed in Germany: Under which conditions are activation policies "social investment"?

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Abstract

This paper is concerned with advancing the theorization of social investment. To this end, we introduce three theoretical arguments. Firstly, we expand on Nolan's (2013) proposition that one must distinguish between social investment as a policy paradigm and social investment as a policy approach. Secondly, we argue that the policy approach of social investment can be undergirded by two different and partly contradicting policy logics: an economic logic and a holistic logic. Thirdly, we suggest that the de-facto logic behind social investment depends not only on formal policy design but also on the operational governance of social investment policies. Using active labour market policies for the long-term unemployed in Germany as an illustrative example, we show that a mixed social investment logic predominates in Germany in both policy and discourse. Furthermore, we demonstrate that at the operational governance level, caseloads and an implicit target group approach jeopardize coherent social investment returns in practice. This finding suggests that policy-makers should consciously streamline activation systems either towards an economic or a holistic logic if strategic social investment returns are to be realized.

Introduction

Although social investment as a scientific concept and political agenda has been 'around' for some decades (see Hemerijck 2012; Midgley 1999; Midgley and Tang 2001), it has moved to the centre of public attention since the European Commission introduced its Social Investment Package in 2013. As we will argue and illustrate in this paper, the renewed prominence of social investment calls for a critical appraisal and more differentiated conceptualization of its underlying analytical and political assumptions. After all, as has been highlighted by Morel et al. (2012), Cantillon and Van Lancker (2013), Nolan (2013) and others, the social investment approach in its current state is "not (...) necessarily [a] coherent paradigm, but a set of ideas which can be and have been interpreted and implemented in different ways" (Cantillon and Van Lancker 2013, 554). In this paper, we seek to contribute to a better understanding of the scientific and political relevance of social investment by advancing three arguments on how the social investment conceptualization can be developed further, undergirded by the illustrative example of active labour market policies for the long-term unemployed in Germany.

Our analytical account is based on three arguments. We depart from the proposition that it is vital to differentiate between social investment as a policy paradigm and social investment as a more specific policy approach (or what Nolan [2013] calls "policy strategy"). Whereas the social investment

paradigm has its rhetorical and conceptual roots in neo-classical economics that would potentially see all sectors of the state as relevant for increasing or maintaining the productive capacity of the population, the narrower policy approach of social investment remains largely confined to active labour market policies (albeit in conjunction with ‘flanking’ social services). However, even the policy approach of social investment is not unambiguous, our second argument goes, because it amalgamates two partly contradicting policy logics that – if unresolved – can hinder the effective implementation of social investment policies. We term those two logics “economic” and “holistic”. Finally, the third argument we advance in this paper is that the real-world returns of social investment policies depend not only on formal policy mandates, but also and crucially on the operational governance of social investment schemes.

In the empirical section of this paper, we put flesh to the bones of our theoretical arguments by discussing under which conditions integrated employment and social policies for the long-term unemployed in Germany can reasonably be said to fulfil a social investment function in the more paradigmatic sense of the term. From a policy perspective, the Hartz reforms of 2003-2005 could be interpreted as a conscious attempt to recalibrate the assistance system for the long-term unemployed according to social investment principles, with very mixed results however due to in-built complexities in the unemployment governance system. We conclude the paper with some more general conclusions on the policy and governance conditions facilitating high economic and/or holistic returns on social investments.

Advancing the theorization of social investment

The social investment concept has an intricate history, which makes it necessary to start our discussion with a definition of what we mean by “social investment”. As was already indicated above, scientific and political rationales are intertwined in the social investment agenda, with an essentially macro-economic argumentation being used to make the case for a political strategy of non-residualistic welfare spending. More specifically, social investment has been presented as a viable way out of the macro-economic “trilemma of the service economy” (Iversen and Wren 1998), meaning that investments in the human capital or even “capabilities” of especially marginalized citizens are expected to make the workforce more productive (cf. Dean et al. 2005), thereby triggering processes of job growth and wage expansion and eventually filling the coffers of the revenue office while simultaneously decreasing welfare budgets. However, when it comes to more concrete steps that are advised for escaping the trilemma of the service economy, two different roads can be identified in the academic literature (cf. Nolan 2013). From an overarching, paradigmatic perspective, “social investment states” (e.g. Giddens 1998) are advocated that holistically recalibrate different policy fields (such as educational policy, tax policy, family policy, health policy, employment policy etc.) towards the creation of a more dynamic economy via human capital development. Midgley (1999) and Midgley and Tang (2001) can be regarded as proponents of such a paradigmatic social investment agenda that unites a large variety of policy measures – from educational programmes, or community-building initiatives to administrative reforms – under the social investment umbrella. The second pathway recommended for having the cake of fiscal restraint and eat it (in the form of wage equalization and job growth) consists of a narrower policy approach of integrating employment and social policies, meaning concretely that active labour market policies are combined with a renewed focus on ‘flanking’ social services such as childcare, elderly care,

housing, or counselling (cf. Clegg 2013). From this latter perspective, individual-level incentives to exploit social services alongside employment measures such as job-search assistance or training are seen as sufficient policy measures for creating a dynamic labour market, whereas from the former paradigmatic perspective, labour market dynamism is construed more as a result of integrated supply and demand side policies of 'enlightened' social investment states. As we continue with our conceptualization of social investment in this paper, the reader should be aware that we discuss social investment mainly in terms of a specific policy approach advocating the integration of employment and social services in a productive fashion, although we will keep the paradigmatic social investment perspective in mind as a yardstick for measuring under which conditions social and employment policies (notably in the German case) trigger productive dynamics in the wider economy.

Having distinguished between a paradigmatic and a strategic social investment agenda, the second conceptual argument we wish to introduce in this paper is that even the policy approach to social investment is not unambiguous in itself. Rather, we see social investment policies as being undergirded by either an "economic" logic that regards returns on human capital investments to accrue mainly in terms of individual employment, or by a "holistic" logic that frames returns on investments in the "capabilities" of vulnerable citizens primarily in terms of human prospering and only eventually, economic productivity and societal prosperity (cf. Nussbaum 2011; Sen 1998). What unites both social investment logics, however, is the idea that free employment and social services should be easiest to access for those groups where the largest return on investment can be expected, rather than being evenly distributed in a 'bureaucratic' fashion. Figure 1 provides a graphical illustration of the two logics enmeshed in the social investment policy approach.

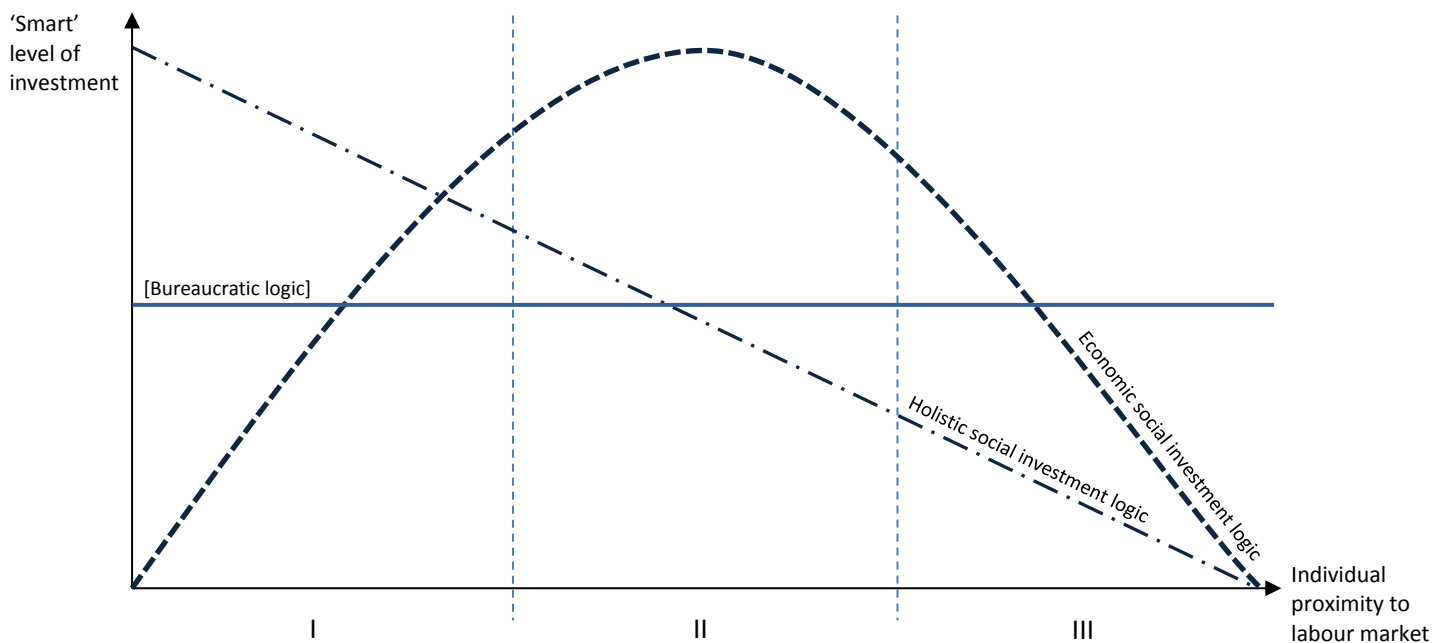


Figure 1: Two social investment logics.

As becomes clear from Figure 1, the economic and holistic logics behind social investment make different recommendations about where monetary resources targeted at human capital development or capability enhancement should be directed in daily application. Because the

economic logic departs from the tenet that “labour market integration is not only (...) a superior way to achieve income protection and social inclusion (...), but (...) also an indispensable feature of ‘productive’ social policy systems because higher employment levels decrease benefit dependency and contribute (...) to the future sustainability of the welfare state” (Cantillon and Van Lancker 2013, 553), the economic logic behind social investment implies that monetary resources should be invested primarily in individuals who are far enough away from the labour market that large relative advancements towards employment can be realized, but not so far away that employment is no longer a realistic option. Thus, both the most vulnerable citizens (for whom regular employment is often out of reach; i.e. group I in Figure 1) and the most easily employable citizens (who are already close to the labour market; i.e. group III in Figure 1) should be “parked” or left to their own devices from an economic social investment logic, with most having to be channelled instead towards the “creaming” of the middle group (II) where large relative labour market advancements seem feasible. Much of the criticism raised against the social investment approach pertains in fact to this economic logic, due to its conceptual blindness to a moral obligation to care for those in need irrespective of employment prospects. As Cantillon and Van Lancker (2013, 555) put it, “if social policy is founded on the assumption that employment is a fast-track to social inclusion, (...) a genuine problem arises concerning the social protection of those people who cannot be integrated into the labour market”.¹

The second logic enmeshed in the social investment approach departs from a different outlook. Based on the holistic assumption that psychological and social resources such as leisure time, psychological resilience, social network connections, educational qualifications etc. are essential not only for bringing out the full potential in individuals but – one step removed – also for making societies more productive, a “holistic” investment logic would prescribe to spend most monetary resources on those whose human capital endowments are lowest. Also the consideration that ‘passive’ investments in care arrangements etc. free others to unfold their full productive and human potential makes the holistic social investment logic propagate human well-being and societal integration rather than only employment as a productive return on social investments. Midgley and Tang (1999, 246) provide an illustration of such holistic social investment thinking when stating that “social development [as an early synonym of social investment] seeks to promote human well-being in association with a dynamic, ongoing process of economic development”.

When it comes to the practical implications of the two social investment logics, Figure 1 shows that differences are most pronounced with regard to citizen group I – those most remote from the labour market. Whereas for the other two groups, the two logics very roughly coincide on low investments in the most capacitated citizens and medium to high investments in the middle group, the holistic social investment logic would suggest investing *most* in the weakest members of society whereas the economic logic would propose to invest *very little* in that group. Hence, when policy-makers design social investment policies and governance systems, they would be well advised to first of all install a procedural measure for identifying individuals’ proximity to the labour market, such as a profiling

¹ It is important to point out, however, that in contrast to workfarist notions of achieving labour market participation at the lowest possible (public) cost, the economic social investment logic seeks to actualise quality employment. As Morel et al. (2012: 10) put it, “while the social investment perspective retains the focus on activation that neoliberalism instituted, there is a shift away from the idea that ‘any jobs’ are good and that social benefits should be scaled back so as to ‘make work pay’” (see also Midgley 1999: 9). Hence, one should not confuse the employment focus of the economic social investment logic with workfarist notions of ‘work by any means’.

system and/or formal labour market target groups. In addition, policy-makers should consciously embrace either one logic to achieve coherent social investment returns, especially with regard to group I. If neither logic is embraced fully, as we will demonstrate for Germany, arbitrary and eclectic social investment returns are likely to result.

Finally and to close off this conceptual section on the theorization of social investment, we argue in this paper that not only formal policy design, but also the operational governance of social investment policies has a crucial impact on the – holistic or economic – returns on human capital investments or investments in human capabilities more generally (see also Midgley and Tang 2002, 246, 250). To illustrate this point, the next sections discuss the case of Germany, where the Hartz reforms of 2003-2005 not only infused clear social investment principles into the German political discourse, but also led to the establishment of a one-stop-shop Jobcenter system that unites the provision of employment services (traditionally under the aegis of the Federal Employment Agency, abbr. FEA) and social services (traditionally a municipal responsibility) under a single roof. Our analysis reveals that in spite of a clearly 'holistic' reform discourse that was re-appropriated in an 'economic' fashion when designing the Jobcenter system, high caseloads and informal target groups (among other factors) make the de-facto social investment logic behind the German Jobcenter system inconclusive in practice. We support our governance analysis by an in-depth case study of two German Jobcenters and associated institutions conducted in 2011-2013, covering not only a document analysis but also 20 interviews with Jobcenter managers, caseworkers and clients.

Social investment policy reforms in Germany

Let us begin by reviewing the social investment agenda behind the so-called Hartz laws of 2003-2005 that introduced a series of fundamental reforms to the German labour market policy and unemployment protection system. Although the Hartz reforms continued on a pathway of making the German welfare state more 'active' that had already begun in the late 1990s, the Hartz reforms have often been described as a paradigm shift that was made possible by a 'window of opportunity' in the form of a public outcry about the Federal Employment Agency systematically faking its labour market statistics (Fleckenstein 2009). After this scandal, a commission of non-political experts was installed to prepare a comprehensive and in-depth reorganisation of the German labour market and employment system. This so-called 'Hartz Commission', chaired by the former CEO of Volkswagen Peter Hartz, wrote a report of more than 100 pages (Hartz-Kommission 2002) outlining a series of very detailed reform steps that will be discussed in more detailed below – with special attention to the social investment logic(s) guiding them.

Economic reform discourse, holistic reform plans

The overall and leading aim of the Hartz reforms was to increase employment rates through welfare-to-work measures, thereby stimulating the economy while also reducing the fiscal burden on public welfare budgets (Fleckenstein 2009). For this purpose, a number of demanding and enabling activation elements were introduced for the entire unemployed population, whether insured or uninsured (Eichhorst and Konle-Seidl 2008). For instance, labour market integration was to be promoted not only via a deregulation and flexibilization of the labour market facilitating job take-up, but also by a strong individualisation of the responsibility of unemployed persons to find work, as well as of the services geared towards overcoming unemployment. Although the value of

employment for social inclusion (rather than fiscal robustness only) featured strongly in public debates, both leading politicians (Schröder 2003) and the Hartz-report (Hartz-Kommission 2002) focused discursively on the economic logic of social investment that frames returns on human capital investments mainly in terms of higher employment rates. In the words of former chancellor Schröder (2003, 9): "Dynamic economic growth and high employment rates are preconditions of an effective welfare state and therefore of a well-functioning social market economy" (translation by the authors). Nevertheless, the necessity of investing in those who are far away from the labour market was also clearly recognized in the Hartz-report, which not only suggested to categorize clients into three main groups based on labour market proximity, but also to invest most counselling and support resources in the weakest group. The (largest) work-ready group was to receive mainly information services, while the middle group was to be counselled more intensively towards work than work-ready clients (Hartz-Kommission 2002, 70-71). Furthermore and in order to guarantee holistic service provision to the weakest group, the Hartz Commission proposed an institutional distinction between basic regular casework and more intensive and individualized case management for more vulnerable clients. When relating the Hartz Commission's plan to create a unified unemployment system with differentiated service provision for three main client groups back to Figure 1, it becomes clear that in spite of an economic investment discourse, the institutional system envisioned in the Hartz report was fully in line with a holistic social investment logic that is geared towards social integration and integrated treatment for vulnerable clients rather than quick employment results only. However, as we will see below, this clear holistic social investment logic of the Hartz reform plans was watered down in the process of political implementation because especially one central element of the Hartz strategy was not put into practice: a joint service system for insured and uninsured unemployed clients.

Two tiers of unemployment protection: Divided systems, divided investment logics

Originally, the Hartz-report foresaw not only a merger of the tax-financed social assistance benefit scheme (formerly carried out by the municipalities) with the unemployment assistance benefit scheme for long-term unemployed insured clients (formerly carried out by the FEA) into a single means-tested, flat-rate minimum income system entitled "Unemployment Benefit II" (UB II), but also a joint provision of employment and social services to non-insured UB II clients and insured UB I clients.² With this reform proposal, the Hartz Commission sought in a first step to draw the majority of the former social assistance population into the FEA's employment system where they would be activated rather than 'cared for', and in a second step to completely decouple service provision from benefit regime, such that only proximity to the labour market rather than UB I or UB II status would determine which activation approach would be used for which unemployed client. Such an integrated institutional design for the entire unemployed population would have allowed systematic investments in the human capital of unemployed individuals based on a holistic (or economic) investment principle. However, when only the merger of social assistance and unemployment assistance into a UB II benefit was actualized whereas service provision remained separate for UB I and UB II clients, a less clear-cut institutional structure emerged.

² UB I is relatively status protecting, contribution-based, and usually limited to one year. Afterwards, beneficiaries can claim UB II. Beside UB I and UB II, social assistance still exists as a last safety net for those not capable of working, but is of little relevance due to very low beneficiary numbers.

Under the current system, UB I clients receive nationally standardized employment services from the tripartite Federal Employment Agency, whose Regional Directorates and Local Employment Agencies have little room for adapting employment measures to regional or local labour market contexts. For UB II clients, conversely, integrated employment and social services are provided by so-called "Jobcenters" which are for the most part governed jointly by the Federal Employment Agency and the municipalities (*gemeinsame Einrichtungen*). In addition, there are now 108 so-called optional municipalities (*Optionskommunen*) running their local Jobcenters autonomously without the FEA as a partner. The rationale behind creating the Jobcenters as part of the Hartz reforms was that the FEA can bring a long experience with employment services (and established networks with employment service providers) to the Jobcenter table, whereas the municipalities can contribute a high degree of professionalism in dealing with more far-reaching social problems that hinder employment and must therefore be addressed before or while labour-market integration is pursued. Also the fact that local Jobcenter managers have legal discretion to build networks with public or private service providers, develop new activation or counselling instruments, and foster individualized service provision strengthens the holistic outlook of the Jobcenter system vis-à-vis the only employment-focused UB I system whose focus lies on job matching and "classic" active labour market measures such as vocational training, job search support or job counselling, but not on social services. When looking at the UB I and II systems together, we can thus state that the social investment logic behind the institutional configuration of the two-tier German unemployment system is mixed. An implicit economic logic dominates in the UB I system where job-counselling is the standard measure while some additional training or counselling can be provided if clients require extra support, but without any services being available for clients with complex problems (picture an insured former industrial worker of 50 with a drinking habit, for example). In the UB II system, contrariwise, a holistic social investment logic predominates that brings together employment and social services in single one-stop shop organizations, the Jobcenters. On the flipside, however, the Jobcenters' orientation towards less than work-ready clients also means that non-insured clients with no additional social problems beside unemployment can hardly be helped by Jobcenter staff (picture a recent university graduate, for instance). In a nutshell, although a two-tier system of rudimentary employment services for insured (and hence allegedly work-ready) clients and integrated employment and social services for uninsured (and hence allegedly vulnerable) clients may seem to reflect holistic social investment principles in theory, the fact that client populations are very diverse within each benefit system implies that there will always be clients who cannot be served and invested in well in each system. Furthermore, although the UB I system is overall guided by an economic social investment logic and the UB II system is overall guided by a holistic social investment logic, no clear social investment logic can be diagnosed when both tiers of unemployment protection are taken together because benefit regime affiliation more than labour-market proximity pre-structures the allocation of service resources to individual clients.

Inside the UB II system: Economic profiling, holistic case management

Before we turn to the operational governance of the UB II policy design, let us take a more close-up look at the German UB II system that will serve as an illustrative case for our argument that not only formal policy design, but also operational governance matters for social investment returns. Two institutional aspects are particularly relevant for the social investment logic underlying the German UB II system: a standardized profiling system and the casework-case management distinction as originally proposed by the Hartz Commission.

The standardised profiling system of the Jobcenters is based on an extended version of the FEA's profiling system "VerBIS". Whenever a client first applies for benefits or returns to the Jobcenter after more than six months, a new client profile must be created. Following the IT interface on the computer screen, the caseworker begins by analysing the client's so-called 'strengths' (*Stärkenanalyse*) and what is euphemistically called 'potentials' (*Potenzialanalyse*), which means that existing obstacles to work or activation are identified and stored in the form of 'action requirements' (*Handlungsbedarfe*). The client profile is then allocated to one of six profile categories that indicate not only the prospective timeframe of activation on the basis of market proximity, but also an end goal for activation or job-search (usually, either regular or subsidized employment, or education). Roughly resembling the three client groups identified in the Hartz report, the Jobcenter profiling system initially comprised four different categories: work-ready "market" clients, non-work ready "support" clients, and a "counselling" middle group consisting of two sub-groups: activation and support. However, contrary to the Hartz report that intended the highest social investments in terms of resource allocation and caseworker time to go to the weakest group, the Federal Employment Agency explicitly embraced an economic investment logic at the onset, with investments being channelled primarily towards the "counselling" middle group where the highest (employment) returns on investment were to be expected (Hielscher and Ochs 2009, 26). Although this strategy of resource allocation on the basis of labour market profiles no longer exists as such, an economic social investment logic still seems to be engrained in the German UB II system (Pothmer 2013). This is also indicated by the accountability system of the Federal Employment Agency, which is based on a central performance measurement system and "management by objectives". **MEHR ZU ZIELINDIKATOREN!!!!**

However, yet again, there is also a flipside to the economic social investment orientation of the German UB II system because in 2009, the profiling system was changed towards three "market"-related profiling categories covering more or less work-ready clients, and three "integration"-related profiling categories covering clients with more complex problems. Although this change may seem trivial at first glance, it nevertheless did away with the idea of a middle group, framing the UB II population as consisting of only (1) employable clients for whom relatively standardized employment services should be used, and (2) more vulnerable clients for whom services should be more tailor-made and encompassing. In this sense, the new profiling categories made the UB II system more internally coherent, with both the casework-case management distinction and the profiling system now reflecting the same holistic social investment idea that vulnerable clients need extra support. As there are not even near enough case managers to cover all "integration" clients in practice, however, and since there are no standard guidelines for deciding who should be referred to a case manager beyond the basic criterion that labour market integration must still be a realistic option (Göckler 2005, 8; 11), only operational governance can determine whether the economic or holistic social investment logic prevails in the German UB II system in daily application.

To sum up, the German unemployment system in general and the UB II minimum income system in particular have been characterized by a mix of economic and holistic social investment ideas since the Hartz reforms of 2003-2005. Whereas an economic investment logic that frames returns on investment primarily in terms of employment has been dominant in official policy discourse as well as in the employment measures of the UB I system for insured clients, and in the profiling categories (and associated resource allocation mechanisms) within the UB II system until 2009, holistic

investment ideas that see social integration and human well-being as viable investment goals have been more visible in the original reform plans of the Hartz Commission in the one-stop shop Jobcenter structure of the UB II system, and in the casework-case management distinction and loosely related profiling categories within the UB II scheme since 2009. Nevertheless, institutional structures are only one side of the coin. The setup of the Jobcenters as one-stop shops combining the employment focus of the Federal Employment Agency with the much more holistic approach of the municipalities under one roof may well mean that unforeseen dynamics enter the implementation of social investment policies in practice. The relation between strategic and operational social investment logics shall be addressed from an exploratory perspective in the next section.

The operational governance of social investment policies in Germany

In the previous section, we saw that the German unemployment system (in general, and the UB II minimum income scheme in particular) is characterized by a mix of social investment logics, framing returns on human capital investments partly in terms of rising employment rates and partly in terms of social integration. In the final part of this paper, we now turn to the operational governance of social investment policies in the German UB II system, arguing that neither social investment logic comes to bear in an undiluted manner in daily practice due to at least **two** practical constraints: scarce staff resources and an implicit target group approach. We illustrate our arguments by quotes from exploratory interviews with managers, caseworkers and clients in two German Jobcenters.

Caseloads can turn social investment logics around

Caseloads play a crucial role in the implementation of social investment policies because if investments in the human capital or even "capabilities" of vulnerable citizens are to deliver individual and societal returns, it is vital that the persons allocating the respective services to citizens (i.e. caseworkers or other "agents of the welfare state"; Jewell 2007) are not only qualified but also have sufficient time to get to know each client and find out which service investments would be 'smart' to make. Hence, there is a clear connection in practice between the caseworker-client ratio and the quality of social investments. If caseloads are very high, caseworkers tend to resort to relatively standardized and minimal service provision, for instance by focusing on monitoring claimants' job-search activities, referring clients to standardized group application trainings or informing clients of the possibility to support a self-procured internship or work-training by a wage subsidy. By implication, high caseloads tend to be logically associated with low investments. As one of our case manager respondents put it:

Of course, someone with a caseload of 400 customers cannot look deeply into a single client case, that's simply impossible. They can't get a detailed picture of the personal circumstances, it really doesn't work. (A8, 35)

Also another caseworker states:

Some clients, we really must take by the hand (...), you really must work closely with them. But you can't do that with everyone, our working time does not allow that. (A2, 26)

Conversely, if caseworkers have low caseloads, they can afford to counsel clients intensively and provide individualized services. Therefore, low caseloads tend to be logically associated with high investments. In the German UB II system, caseloads are especially relevant for social investment

when it comes to the casework-case management distinction. According to our interviewees, regular caseworkers (formerly “job coaches” [Arbeitsvermittler] – now “integration specialists” [Integrationsfachkräfte]) tend to have very high caseloads of up to 450 clients, whereas special “case managers” (Fallmanager) have much lower caseloads of about 70-100 clients the two Jobcenters studied. At first glance, it might thus seem that as in policy design, the casework-case management system reflects a holistic social investment logic also in practice because due to low caseloads in the case management system, meetings with a case manager are more frequent, counselling is more intensive, and services are more individualized than with a regular caseworker. However, since transfer from regular casework to case management takes place via individual caseworkers – at their own discretion and also depending on the client’s and the prospective case manager’s consent – the casework-case management distinction has a rather volatile character in daily application, with the accessibility of case management being highly dependent on the number of case managers installed by the Jobcenter management. If there are only few case managers, the client population that can be transferred to them may be so eclectic that regular casework with its basic and standardized service provision will remain the norm, making the Jobcenter’s service provision rather workfarist overall. Conversely, if there is broad access to the case management system because there are many case managers, a holistic social investment strategy can be realized, involving low investments associated with basic-standardized service provision for work-ready UB II clients and high investments as facilitated by intensive-individualized service provision for vulnerable UB II clients.

Furthermore, it should also be mentioned that not only caseloads but also political decisions by the Jobcenter management can influence the de-facto logic behind the casework-case management differentiation in practice. The two Jobcenters surveyed for our study provide illustrative cases in point: In the Eastern-German Jobcenter “EAS”, case management is used for the most vulnerable client groups, whom regular caseworkers feel “unable to treat sufficiently well”. Thus, one caseworker states:

We also have the so-called case management. They take care of people with very heavy problems, drug addiction, debts and so on, without a permanent place of residence. (A2, 47)

Conversely, in the Northern-German Jobcenter “NOR”, the case management system seems to be used primarily for the ‘lower middle group’ in Figure 1, out of the rationale that real labour market prospects (in terms of physical/mental skills and personal motivation) are a central prerequisite for – economic – social investment returns. In the word of a caseworker from NOR:

xxx [quote to be added]

In a nutshell, our interviews thus show that local caseloads can tilt the social investment logic built into social investment institutions towards either a holistic or an activating side, as can political decisions by managers in at least partly decentralized welfare systems as the German one. Hence, when assessing the social investment orientation of unemployment systems, it is vital to look not only at formal policy design but also at the operational governance of employment and social services, and more particularly at the caseloads of the street-level staff. Another factor related to operational governance that may affect the de-facto social investment orientation of unemployment systems are target group approaches, as will be demonstrated below.

Implicit target groups dilute social investment logics

Besides caseloads, implicit target group approaches used across Jobcenters also impact the logic behind social investment policies at the implementation level, although with less clear-cut effects than in the case of caseloads. As the term 'implicit' already indicates, the target group approach of German Jobcenters stems not from 'explicit' top-down regulations, but rather from bottom-up reactions to central performance indicators, federal activation programmes, and specialized regulations for certain client groups. For example, although target groups were officially abolished after 2009, lone parents are served by specialized caseworkers in virtually all **joint** FEA-municipal Jobcenters (**reference**) because the Ministry of Employment and Social Affairs (MESA) made the labour market integration of lone parents a special policy priority under the Liberal-Conservative coalition in 2009-2013, informed by the demand side-oriented rationale that

only if we manage to match job vacancies with motivated, qualified personnel will our welfare be secure. This provides a chance for all those who seek work or wish to work more, among them many women and especially single mothers – they bear great potential.³

Labour market integration rates for lone parents have also been included in the official target agreement between the MESA and the FEA since 2011 (monitored by a central performance indicator), with the result that specialized caseworkers for lone parents can now be observed at the operational governance level nation-wide. Similar developments occurred with regard to older clients (above 50 years of age) and clients below 35 without a secondary education: Also here, specialized programmes providing additional funds and incentivizing local/regional network-building such as "Perspective 50plus" (*Perspektive 50plus: Beschäftigungspakte in den Regionen*) or "Late Starters" (*Spätstarter*) have given rise to specialized caseworker teams across the participating Jobcenters. Finally, two further target groups that can be generally observed at the operational governance level in the German UBII system are young people below 25 and clients with certified health issues, due to special regulations applying to those groups (e.g. a stricter sanction regime for young claimants, and legal links with other benefit systems in the case of health-impaired clients). (**Self-employed?**)

As a result of the implicit target group approach of German Jobcenters that cuts across both the labour market-oriented differentiation between "integration versus complex profile"/distinction in the VerBIS profiling system and the institutional casework–case management distinction, the operational governance of social investment policies in Germany follows neither a clear activation logic nor a clear holistic logic. More specifically, the creation of predefined target groups for whom counselling is intensive (as in the case management system) but also partly standardized (as in the regular casework system) in the sense that counselling focuses mainly on a single predefined problem (such as lone parenthood or age) rather than distance from the labour market more generally creates at least two perverse social investment effects. Firstly, there is a risk that more or less work-ready clients who fit a centrally-defined problem category (such as lone parents with a recent university degree) receive intensive counselling with a narrow problem-focus, which would

³ Bundesministerium für Arbeit und Soziales (2013). *Alleinerziehende unterstützen, Fachkräfte gewinnen: Report 2013*. Berlin: BMAS, p. 3. URL: http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen/a858-alleinerziehende.pdf;jsessionid=84D01488AB860512346FE00AEC7E127D?__blob=publicationFile [Rev. 2014-03-30].

not be considered a 'smart' investment strategy by either the economic social investment logic (that would prescribe basic counselling for work-ready clients) or the holistic social investment logic (that would advise a neutral problem diagnosis, from which it might emerge, for example, that a particular lone parent receives enough childcare support from grandparents but needs counselling on how to become self-employed). Hence, implicit target groups may have the practical effect that an originally holistic social investment logic (as espoused by the casework-case management divide) is diluted, without however infusing an activation-oriented logic into the counselling system, either. A second perverse effect of the implicit German target group system is that clients who are not so vulnerable that they would immediately be considered candidates for case management, but who also would need extra help in entering the labour market due to a problem that is not covered by a special federal programme or regulation (i.e. implicit target group) will often stay in the regular casework system, where caseworkers do not have the time or monetary resources to help them further. As an immigrant woman of 45 in our sample put it,

I have said under tears, 'Handicapped people have rights, but I have no rights'. (B5, 9)

Because immigrant status is a non-targeted problem in the German Jobcenter system, the same respondent reports to have lobbied (in vain) with regular caseworkers for **two** years to be granted a high-school diploma course as an activation measure because she aspired "to **do more than cleaning**". A training course for assistant nurse was also denied based on a psychological test (evaluating basic knowledge, professional knowledge and IQ) carried out routinely by the FEA, although our respondent claimed to have failed the test because she is "**not used dealing with a computer**" rather than due to lacking competence. Only when our client could switch to a case manager could a training measure for assistant nurse be arranged. Beside immigrant status, age can also serve as a barrier to effective activation in the German Jobcenter system if clients 'fall between' targeted programmes for specific age groups, as is reported by another one of our respondents who was not supported in getting a higher-level school diploma (*Realschule*)⁴ because he was already above 25:

I think there was a possibility, but we [i.e. client and case manager] couldn't find out the details of that. There are providers offering a secondary school diploma [in German: Realschule] for people above 25, but then I (...) sat around the table with the adult learning people and we discussed whether that would really make sense. (B6 [age 28], xx)

As both examples show, if clients fall between target groups but would need extra support in entering the labour market, they are likely to stay in the basic and standardized counselling system in Germany where their human capital (in terms of job-related skills and motivation) is likely to slowly decrease rather than increase due to prolonged inactivity. Although more systematic and large-N research would be needed to substantiate this argument, our exploratory data provide clear hints that in order to become more socially 'investive', German policy-makers should end or at least delimit the practice of target-group funding, instead expanding the already established case management system to include more clients with complex problem profiles.

⁴ In the German school system, there are three main types of secondary degrees: *Hauptschule* (five years, qualifies for blue-collar vocational training), *Realschule* (six years, traditionally qualifies for white-collar vocational training) and *Gymnasium* (ten years, qualifies for academic careers).

Conclusion: Under what conditions is activation "social investment"?

This paper has been concerned with advancing the theorization of social investment as a scientific concept and political agenda. To this end, we proposed to concretize the social investment concept in three particular ways. Firstly, it is vital in our view to distinguish between an overarching policy paradigm and narrower policy approach of social investment, with the former being concerned with recalibrating entire political economies and building social investment states, whereas the latter focuses more narrowly on activating employment and social services for the unemployed. Secondly, with regard to the policy approach to social investment, we argued that policy-makers should develop differentiated service offers according to unemployed individuals' proximity to the labour market if either economic or holistic social investment returns are to be realized. Finally, we argued above that operational governance structures (and more particularly, caseloads and implicit target groups) can jeopardize or even change formal social investment logics in practice.

We used the German unemployment system in general, and the UB II minimum income scheme for uninsured clients in particular to demonstrate that different social investment logics can indeed be observed at the policy level, often next to each other and/or varying over time. In addition, our interviews with managers, caseworkers and clients in two German Jobcenters showed that operational governance, and in particular caseloads and implicit target groups, are decisive for the kind and coherence of returns on human capital investments in practice. Depending on the number of case managers in relation to the number of regular caseworkers, counselling and service support in welfare organizations may follow either a purely employment-focused economic logic or a more holistic logic geared also towards social integration. As a baseline, however, both social investment strategies requires first of all a systematic differentiation of clients by labour market proximity rather than benefit regime or problem type, and second of all a sufficient portfolio of employment and possibly social services that can increase the human capital endowment of beneficiaries. In the absence of either criterion, active labour market policies cannot be called social investment as it has been defined in this paper.

A shortcoming (or rather omission) of our paper is that we looked only at the institutional and governance side of social investment rather than backing our argument by concrete figures on labour market integration. For this reason, we are also not able to rate the success or failure of the German unemployment system as a whole, or the UB II system in particular, at increasing employment rates or societal well-being. However, what we have been able to do in this paper is to make a clear argument about whether German activation policies and practices are informed by a coherent social investment strategy: According to our exploratory results, they are definitely not. Although we could observe a number of elements that point towards either an economic or a holistic social investment logic, both the institutional design and the operational governance of especially the UB II system counteract either logic in the end. Hence, we think German policy-makers would be well-advised to expand the case management system vis-à-vis regular casework and eliminate implicit target group funding or regulations – thereby making it possible to allocate activation resources more efficiently and effectively towards either economic or holistic gains (cf. Nolan 2013, 466).

From an even broader perspective, we can state that activation is far away from being an equivalent of social investment. Yet further research is needed for shedding light on the question how different institutional configurations and street-level governance practices are related to (qualitatively or

quantitatively) different social investment returns. Especially cross-country comparisons could help to sharpen our analytical understanding of, and empirical knowledge about, the relationship between social investment and activation.

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