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Labour Market Trends and Active Labour Market Policy in the Eastern German Transformation Process 1990 - 1997

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0 Abstract

After German unification in 1990, labour market policy makers were confronted with a drastic reduction in employment: more than three million jobs disappeared in eastern Germany, i.e. about one third. Unemployment rapidly soared to over one million and average unemployment in 1997 was 1.36 million, i.e. 18% of the work force.

A further escalation of mass unemployment was successfully held in check, but in the course of time the limits of labour market policy have started to show. It has become clear that labour market policy alone cannot solve employment problems in the eastern German *Länder* (including the eastern part of Berlin): it must be combined with other employment-related political decisions on instruments and institutions. A creative approach to novel models of co-operation of various political players (different fields of policy and different levels of decision-making) is nothing new in eastern Germany. However, tight budgets and less flexible administrative and political attitudes may well curtail such ventures.

Labour promotion is now provided for by a new law[1] which entered into force on 1 January, 1998 in Germany. It includes a still wider range of integration assistance options for persons who are difficult to place, as well as ways of establishing such co-operative approaches[2], and even expanding them[3]. However, both hiring subsidies for certain target groups paid directly to regular business enterprises and new hiring incentives in the form of 'integration contracts'[4] merit further attention. The new law also substantially strengthened the decision-making competence of all 181 local labour offices[5]. This means that the regions themselves can influence the success of active labour market policy measures to a much greater extent than before.[6]

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[1] The *Arbeitsförderungsgesetz* (*AFG*), or Labour Promotion Act, introduced in 1969 and applied to eastern Germany with some modifications. It was revised and integrated into the more comprehensive Social Code as part III (*SGB* III).

[2] In view of the special labour market problems of eastern Germany a new form of lump-sum wage cost subsidies (*AFG* section 249h wage cost subsidies) was introduced in addition to the 'traditional' job creation measures. The provision covers the co-financing of certain structural policy measures (also see section 4.4). These have now been extended and renamed Structural Adaptation Measures (*SGB* III section 272 ff).

[3] 'Open'subsidies (*SGB* III section 10) are available as an additional instrument.

[4] Also see *SGB* III section 217 ff. (integration subsidies), section 225 ff. (hiring subsidy for new establishments) and section 229 ff. (integration contract).

[5] Funds for active labour market policy are made available centrally and distributed to the regions by decision of the tripartite (representatives of employers, employees and public institutions) self-governing bodies of the *Bundesanstalt für Arbeit*, and subsequent approval by the Federal Minister of Labour. Most of the funds come from unemployment insurance and are subsidised from the federal budget. Within the scope of the funds allocated to them, the labour offices are now free to decide on the mix of instruments they want to implement in their particular region.

[6] A paper was prepared in the beginning of 1997 for the German parliament's specialist committee: 'Overcoming the consequences of the *SED* dictatorship in the process of German unity'. It was updated in early 1998 (*SED = Sozialistische Einheitspartei Deutschlands*, German Socialist Uniform Party)

1 Challenges facing the eastern Germany economy: the economic situation after unification and making up lost ground

With the process of opening up to world markets, both the domestic division of labour in the former German Democratic Republic (GDR) economy and the division of labour of the COMECON central and eastern European state-trading countries became obsolete. The sudden advent of competition sent shock waves through the eastern Germany economy which had formerly been isolated. The impact of the change was further aggravated by German-German monetary union (mid-1990) when the currency was revalued by 300-400% (Brinkmann et al., 1992, 1995). To make things worse, there were additional problems, such as frequent poor product quality.

By the new western standards, eastern German capital stock was obsolescent. Productivity per labour hour was about one third of that in western Germany. The public administration - a decisive factor in economic prosperity - was ill-fitted to cope with the new system of highly complex legal regulations adopted with only minor changes from western Germany during the process of political unification in October 1990.

As a consequence, production, particularly in industry and agriculture, dropped drastically: manufacturing declined swiftly to about two thirds of net production output in the second semester of 1990, or about one third of the original pre-unification level; since the second semester of 1993, it has been climbing again. The situation was exacerbated by the disappearance of major export markets, particularly in Eastern Europe. Because initial innovation and investment was inadequate and because of the *Treuhandanstalt*'s privatisation policy, eastern Germany first underwent extensive de-industrialisation before embarking on the current slow re-industrialisation process.

Over a two year period, real GDP dropped to two thirds of the 1989 level in the GDR. Between 1992 and 1995, it improved again by 6% to 9% per year, mainly as a result of growth in the construction and service industries. The decline in the volume of work and of employment (although the latter was delayed by the widespread introduction of short-time work) could not be halted until early 1994 (*Autorengemeinschaft*, 1997).

In describing this process of transition, authors (e.g. Manfred Wegener: *Die deutsche Einigung, oder das Ausbleiben des Wunders*, 1996) reiterate the complexity of the 'large-scale experiment of German unification'. Initially, many were almost euphoric but very soon revised their assessment of the burdens imposed by adaptation to be more realistic. It is now generally accepted that the problems of German unification cannot just be put down to economic mistakes or miscalculations made since 1990. To quote Wegener (p. 14): 'The difficulties concomitant with the abrupt change of social system, the conquest of foreign markets, the acquisition of management skills and the adoption of the complex rules of the market economy (frequently excessively perfected in the typical German way) have also not yet been fully contended with. Both sides underestimated, disregarded or simply did not anticipate how arduous the social learning process would be.'

While it was perfectly clear that the main priorities were to restructure the infirm economy, replace dilapidated infrastructure and to overcome the shock of unification, the details of the reconstruction and catching up process that the eastern German economy needed to go through were hard to define. Although real GDP was growing at a respectable rate soon after the collapse of the GDR (Table 1), real net output per worker in eastern Germany today is still merely a little more than half that of a western German worker (Table 2)[7].

Since 1993 per capita gross fixed capital formation has been considerably higher in eastern Germany than in western Germany (Table 2). However, most of it was swallowed up by public infrastructure and construction, which, although they were a necessary condition for self-sustaining growth, were by no means enough on their own (Wegener, 1996, p. 16ff). Investments in the manufacturing industry continue to be far too low. There used to be more industry in the GDR economy than in the former FRG, but now it has clearly dropped below the western German level.

The process of catching up was mainly financed by west-east transfer payments: it is believed that large transfer payments continue to be necessary (Table 3)[8].

2 Labour market trends

2.1 Past trends and future prospects

The data in Tables 4a and 4b reflect labour market trends in eastern and western Germany since 1989. In 1995 there were 6.4 million employed persons in eastern Germany (1993: 6.2 million; 1994: 6.3 million), which is no more than two thirds of the original (pre-unification) number. Due to the economic situation, the labour force in eastern Germany has been shrinking again since 1995. The number of employed persons in western Germany has been declining after the ‘unification boom’ petered out in 1993. Initially, short-time work was common in eastern Germany, but then it decreased and the working hours per employed person now exceed hours worked in western Germany. In recent years, the development of the number of working hours has been comparable to that in western Germany. These tables also show that the productivity gap between western and eastern Germany persists, while the level of incomes (gross wage and salary sum per employee) is clearly closer to the western German figure (by 77 %).

The number of registered unemployed persons in eastern Germany initially soared until mid-1991 and was around 1-1.2 million; until very recently, clear upward trends have been observed once more. It must be observed that registered unemployment previously accounted only for a small part of the employment gap in the eastern *Länder*. Labour

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[7] The value added per gainfully employed person in eastern Germany at the respective prices at the time is calculated to be 55% of the corresponding western German figure for the first half-year 1996 (*Deutsches Institut für Wirtschaftsforschung et al*, 1997, p. 47). This figure is not directly comparable with the figures shown in Table 2 (real GDP per gainfully employed person). Some of the lag in eastern German productivity is due to the relatively lower utilisation of comparably advanced production capacities than in the west.

[8] ‘Generally there is no doubt anymore that the new *Länder* still need further support’ (*Deutsches Institut für Wirtschaftsforschung et al*, 1997). It is important to remember that transfer payments also concern public works which are usually a federal responsibility (e.g. construction of interregional roads).

market policy measures, net westbound migration and commuting to the west greatly relieved the strain on the labour market in the years immediately after unification (Figure 1).

The 'silent reserve' must be considered when drawing up any labour market balance sheet: this applies in the case of eastern Germany too. In the strictest sense of the term, this encompasses people who are not employed but who are looking for work without being registered as unemployed with the labour offices ('active silent reserve'), or those who are discouraged and who have abandoned their job search temporarily until the labour market situation has improved ('passive silent reserve'). In the wider sense, the term includes the people participating in further vocational training programs and those retiring early or receiving a pension earlier because of the labour market situation. In 1997, the silent reserve in eastern Germany totalled approximately 800,000 persons (see Table 1). A decrease in the number of persons participating in further training who are part of the silent reserve is partially offset by an increase in the silent reserve in the stricter sense of the term (e.g. once they are no longer entitled to earnings substitution benefits).

If in the case of short-time work only full-time equivalents are considered, at the end of 1991 the labour market policy measures[9] shown in Figures 2 and 3 were relieving the strain on the east German labour market by a total of 2 million. In addition there were about 1 million registered unemployed. When the special arrangements for the payment of short-time working allowances and for pension transition allowances (which permitted people 55 and over to retire early up to the end of 1992) were discontinued, legislative changes and tightened public budgets reduced the effects of this direct source of relief to 525,000 persons by the end of 1997[10] (see below and Bach/Jung-Hammon/Otto, 1998). The number of people receiving pension transition allowances is decreasing by more than 50% every year so that by the end of 1999, there will no longer be any beneficiaries of this type of early retirement.

Medium and long-term labour market forecasts indicate that the recovery of the employment situation will be extremely slow - even assuming considerable economic growth (Buttler/Klauder, 1993; IAB,1995; Klauder, 1996). The main underlying reason is the productivity lag compared to western Germany,[11] and wages that have jumped far ahead of productivity.

According to a scenario formulated by the *IAB* (based on 1994, *IAB*-Zahlenfibel, 1995) regular employment in the eastern *Länder* could be pushed to about 7 million by the year 2010, provided that investments and transfer payments are high. Persons employed in job creation schemes would have to be added to that figure. However, recent trends

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[9] Short time working allowances for temporary loss of working hours (*Kug*), full time vocational further training and retraining programmes (*FuU*), general job creation schemes (*ABM*), early retirement benefits (*Vog*) by GDR government decree, February 1990, and a pre-pension bridging allowance (*Alüg*) under the Labour Promotion Act (*AFG*). In 1993, a new kind of job creation measure was offered in the form of lump-sum wage cost subsidies under *AFG* section 249h. For details of the relief effect of each of these instruments, see section 4.2 below.

[10] If indirect effects for employment are considered as well, this relief effect is greater. See *Autorengemeinschaft* (Team of Authors), 1998, and section 4.2 below.

[11] Both regarding technological status and factor prices.

which have also flattened economic growth indicate that it will probably take much longer for the new *Länder* to achieve such a high level of employment.

There is still no indication that the high female work force participation rate is adapting quickly to western German conditions. Changes in pension requirements and entitlements will expand the labour force potential in the new *Länder*. It is already possible to say that the number of workers in employment covered by social security who are 60 years and older in the new *Länder* will grow from roughly 65,000 in 1996 to about 280,000 by the year 2000, i.e. will quadruple. This means that by the year 2010, the east German labour force supply could well total at least 8 million.

All in all, an updated version of the *IAB* labour market scenario for the eastern *Länder* might be expected to diverge considerably from earlier ones. The 1995 *IAB* baseline scenario estimated that underemployment (unemployed and silent reserve) would affect about 1 million people in the year 2010, but probably only indicates the lower limit of potential unemployment for that year, if there are no substantial political efforts and concessions made by the social partners (e.g. shorter working hours, wage restraint).[12]

2.2 The *Treuhandanstalt*'s activities, 1990 to 1995

The *Treuhandanstalt* (*THA*) was established while the GDR still existed to act as a rescue company for state-owned industrial corporations and groups. When it went into operation in the middle of 1990 it was the world's biggest public employer with a work force of 3.5 million. At the same time, because it held the 45,000 operating facilities of the 8,900 GDR collective combines, it was the largest interim owner of companies and property in the new parts of the Federal Republic of Germany. It was responsible for the privatisation and restructuring of these companies, which in 1989/90 still employed over 4 million people, i.e. more than 40% of the total GDR labour force. By the end of 1991, the number of workers employed by companies still owned by the *THA* had halved, and by the end of 1995, fewer than 50,000 were employed by the successor institutions of the *THA*. These figures have been obtained from regular surveys in *THA*-owned companies and former *THA*-owned companies conducted on behalf of the *Bundesanstalt für Arbeit* (*BA*) (German Federal Labour Office) and the *THA*. (See Wahse, Dahms, Schäfer, Kühl 1996, p. 109.)

The fully privatised *THA*-firms employed almost 950,000 persons at the end of 1995, and another 350,000 worked in hive-offs of former *THA*-owned firms. Since early 1993, privatisation has generated less employment than was lost in firms that had already been privatised. These latter firms expected to shed another 135,000 workers (extrapolated figure) between October 1995 to early 1998.

The consequences of such cuts in employment, some made before and some after privatisation, were palliated by labour market policy and social security measures, in particular with funds from contributions paid in by the workers, but also with federal funds.

[12] See *IAB* simulated calculation on strategies for more employment in western Germany (Klauder/Schnur/Zika, 1996a and 1996b)

Excluding those who returned to or continued their employment in privatised firms, about one third of the work force ended up unemployed.[13] Early retirement schemes where they existed, were rapidly depleted. The number of resignations dropped from 16 % in 1990/91 to 7 % in 1994. Cuts in employment were increasingly absorbed by *ABS* enterprises[14](up to 12 %). After 1992, practically all job creation and further/retraining schemes were being organised by *ABS* enterprises. Any other schemes were replaced by lump-sum wage cost subsidies under section 249h of the *Arbeitsförderungsgesetz* (*AFG*), (Labour Promotion Act), which covered one seventh of redundancies in 1993/94.

A cumulation of the results of *THA* privatisation by type of company shows the following figures: 14,600 privatisations, including 6,500 full or majority privatisations and 2,700 management buy-outs as opposed to 3,500 closures of companies or parts of operations. Some DM 200 billion in investments were approved in contracts made with the *THA* as well as the maintenance or addition of about 1.5 million jobs in these privatised companies (the original number of jobs before unification was over 4 million). It must be noted that these job commitments were not included in the *THA*'s initial privatisation contracts, but only in contracts after 1991.

Between 1991 and 1996 a total of DM 126 billion went to *THA*-firms (or after 1995 to *THA*-successor firms) in the form of economic transfer payments: this actually represents 46% of west-to-east transfer payments for the economy during this period[15]. Before 1994 the percentage was still considerably higher (62 %). From the perspective of labour market policy the question arises, at least retrospectively, whether this was an efficient deployment of resources in view of the relatively small number of jobs that survived in *THA* and ex-*THA* firms. Since 1995 these transfers have been of relatively minor importance (DM 1-3 billion per year).

2.3 Restructuring by industry and category of employee

Tables 5a and 5b show employment trends in eastern Germany overall and by individual industry for the first five years after unification. It is important to note the definitions of the Labour Market Monitor used here. The Labour Market Monitor compiled data for a representative longitudinal study until November 1994 for the *Bundesanstalt für Arbeit*.[16]

The average decline in the number of employed persons to 68 % of the pre-unification level persisted until November 1993 and was followed by a slight upward turn to 70 % by November 1994.These trends affected different branches of industry very differently.

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[13] If individuals whose later activities were unknown are included, the percentage will certainly be higher.

[14] *Gesellschaften zur Arbeitsförderung, Beschäftigung und Strukturentwickung* (*ABS*), or Labour Promotion and Structural Development Enterprises; see Section 4.4 below. These enterprises implemented job creation measures mainly financed with funds from active labour market policy.

[15] Table 3 lists the total of the transfer payments to business enterprises. Of these, the *Treuhandanstalt* (or its successors after 1995) companies received DM 19.9 billion (1991); DM 29.6 billion (1992); DM 38.1 billion (1993); DM 34.4 billion (1994); DM 1.1 billion (1995) and DM 2.8 billion (1996 target). Source: Federal Ministry of Finance.

[16] Limited to people aged 16-64 and excluding persons who had moved west prior to the first survey in November 1990. See *Infratest* 1995.

There was an immediate (i.e. already significant by the end of 1991) dramatic drop in agriculture and forestry (down to 27% of pre-unification employment levels by November 1994), in mining and energy (down to 36%), in metalworking and electrical engineering and the remainder of manufacturing industries (down to 49% and 55% respectively). However, in contrast there was major growth in the field of banking/insurance (up to 266%) and construction (up to 115% by November 1994).

In ‘other services’ (e.g. education and health care) the number of employed persons fell only slightly at first and returned to its pre-unification level by 1994. Considerable restructuring took place in these sectors too, i.e. both closures and layoffs, as well as new hirings. Overall, employment remained constant, but the percentage of all employed persons working in ‘other services’ went up from 22% in 1989 to 31% in 1994.

The sectors which benefited from the general trend, including transport/railways/postal service sectors, together employed about 55% of the labour force in 1994 (38% in November 1989). These sectors account for 36 % of the unemployed and 30 % of the long-term unemployed.[17] On the other hand, only 4% were still employed in agriculture compared to a pre-unification figure of 10%, although this sector accounted for 9 % of unemployment and 11 % of long-term unemployment in November 1994.

Sectoral differences in employment trends combined with location-specific factors have caused the employment situation to develop very differently in different regions: this will be discussed in more detail in the next section. While such regional discrepancies greatly affect an individual’s opportunities on the labour market, they do not totally or directly structurally affect unemployment or long-term unemployment. So, for example, job cuts in the mining sector were able to be cushioned to a great extent by early retirement and other labour market policy measures; large employment and training firms were established early on to implement such schemes.

Tables 5a and 5b indicate obvious, in part drastic, restructuring of employment in some sectors of industry to the detriment of women. In the period under review, male and female employment developed relatively in proportion only in agriculture/forestry and in mining/energy (where major, less selective employment cuts were made and almost no hiring took place) and in ‘other services’ (usually a women’s preserve). Men benefited much more than women from the employment growth in the relatively small banking/insurance sector; in the metalworking/electrical engineering sector the number of men employed dropped to 60% between 1989 and 1994, while that of women employed dropped to 26%. It should be noted that in the fields of industry and technology, men have apparently taken many jobs formerly occupied by women.

Tables 6a and 6b show that the massive job cuts, most of which occurred before the end of 1992, mainly affected older workers, specifically older women. The number of persons in the 55-59 age group in work dropped by two thirds (November 1992). During this period, people who lost their jobs could no longer draw on early retirement or retirement transition payments since these schemes were discontinued at the end of 1992. This had a major effect. Employment levels in subsequent age cohorts even in this age

[17] For the purpose of the analysis, persons who were registered as unemployed both in November 1993 and in November 1994 are considered to be long-term unemployed persons.

group who were no longer entitled to these payments went up again (back up to 58 % in November 1994 compared to November 1989).

Older workers clearly run the same higher risk of becoming long-term unemployed as in the west. Two thirds of the long-term unemployed (here: already registered as unemployed for at least one year) were 40 years old or older.

Unemployment among younger people (under 25 years old) remained at a tolerable level, at least until November 1994: this age group was barely affected by long-term unemployment. Nevertheless, the number of persons in employment in this group decreased disproportionately, mainly because of longer school attendance (including university studies). Because of there were fewer apprenticeships in companies and substantial problems with transition at the 'second threshold', i.e. after completion of an apprenticeship, young people frequently chose to stay on at school for longer simply to mark time, although in the meantime they were also improving their level of skills.

Tables 7a and 7b show the qualifications (i.e. highest vocational qualification) of the labour force and how things have changed since November 1989. They also show corresponding data for the unemployed and longer-term unemployed in November 1994. Clearly less qualified persons (in particular semi-skilled workers) were disproportionately affected by the adaptation processes. The percentage of semi-skilled and unskilled workers in the work force dropped from 10% (November 1989) to 7 % (November 1994). At the end of the period under review, they accounted for 11% of unemployment and 14% of long-term unemployment. In comparison, the percentage of university graduates in the labour force went up from 10% to 17%. In November 1994, they accounted for 8% of unemployment and 7% of long-term unemployment. It is also very clear that male skilled-workers are clearly better off than female skilled-workers. On the other hand, more men with advanced technical qualifications were out of work than women.

It must be noted that during this five year period, reassessments and adjustments took place regarding vocational qualifications; this makes it harder to make comparisons over time (aside from structural comparisons of the employed, unemployed and longer-term unemployed in November 1994). Particularly striking is the 'miraculous proliferation'[18] of people with the highest level of qualifications. These qualifications at first only included 'university studies', but were later broadened to cover 'studies at a technical institution of higher education (*Fachhochschule*)' too. The subsequent recognition of *Fachschule* training as equivalent, together with a revised classification of disciplines has led to a clear shift in these two levels of qualifications.

2.4 Development of regional disparities

After unification, regional disparities rapidly emerged in the eastern *Länder*. One reason was the geographical distribution of economic activities in the final years of the GDR, which was also to have an effect in the future. A second reason was the changes during the transition period which led to regions being affected by employment cuts and the

[18] See explanation in *Infratest Sozialforschung* (1995), p. 21

spread of unemployment very differently. The regional structures which formed right after unification persist to this day.

Let us first look at the situation before unification. *IAB* GDR data from 1989 showed that the GDR's regions were characterised by mono-structures and concentrations to an extent hardly known in the west. Eisenhüttenstadt is an extreme example of this: one branch of industry (metal-working) accounted for 38.6% of employment (compared to 1.6% in the GDR as a whole; see Rudolph, 1990: p. 494). Such mono-structures pose a great risk for future development. If the *Kombinat* (corporate group) dominating the region had to let large numbers of people go, this would threaten the survival of the entire catchment area. In addition, the GDR's regional structures were not appropriate for the conditions of the market economy that evolved after unification. These structures neither reflected the traditional economic links that had existed prior to 1945, nor the production relationships which would be important for the future integration of the former GDR into the world market and unified Europe.[19]

Severe regional disparities were bound to develop for these reasons alone. They grew rapidly, partly because the GDR was opened up so quickly, adopting a market economy and democratic system at top speed, and secondly, because the GDR's regional structures were functionally inappropriate for the new situation.

There were other factors resulting from the unification process itself (see Koller/Jung-Hammon, 1993). An analysis of the transition period (see Blien/Hirschenauer, 1994 and 1995) describes how they emerged in detail. As already mentioned, employment dropped significantly throughout the former GDR between 1989 and 1993 (by at least 39 % in total). However, the labour market situation differed widely from region to region. The drop in employment was most benign in Potsdam (18 %) and Dresden (31 %). However, at the other extreme, in the Klötze/Salzwedel region employment dropped by 50 %.

This pattern of regional development had not been expected: at the time of unification it was believed that geographical proximity to the west would make competitive production spread progressively from west to east and around West Berlin, but this did not happen. The result of a thorough multi-variant analysis of regional development showed that it was precisely those regions closest to the west that emerged relatively worse off, i.e. those bordering on the old German-German border and East Berlin.

The situation around Berlin and the urban centres in the south of the new federal *Länder* was more positive. These regions clearly contrast with the rural areas, particularly those north of Berlin, which suffered most from negative labour market trends. The pattern of regional disparities, which came about in only four years, can be explained by the following factors: firstly, it is important to remember that the former FRG's regions bordering on the GDR had been at a disadvantage because of their peripheral location and were characterised by structural weaknesses. However, it was precisely where the situation was relatively more favourable - e.g. in Wolfsburg at that time - that the employment cuts in the east were most severe (Klötze/Salzwedel is located

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[19] Production for eastern Europe markets which it had been hoped would have a stabilising effect also soon collapsed.

the other side of the old German/German border from Wolfsburg). This shows that the regions bordering on the west were unable to withstand the competitive pressure from the west and therefore suffered most losses in employment. Many of the people affected commuted to jobs that had been newly created in the west near where the border had been. The situation was relatively more positive in urban centres because of the expansion of urgently needed new types of public and other services.

There were other criteria linked to the employment cuts and which can help assess regional differences and disparities in development. New firms were established mainly in the urban centres (see Lehmann, 1994). In 1993, the structure of unemployment was similar to that of reductions in employment.[20] One of the major differences was that the employment figures for the regions bordering on the west were not as worrying, since people could more easily commute to the west of the Federal Republic of Germany. The unemployment figures were not as disparate as the figures for the slump in employment, because labour market policy measures helped balance things out.

In the case of regional wage differences, structures were once again similar[21]: relatively low wages frequently coincided with employment cuts. This means that certain regions were at a twofold disadvantage: first, because the employment situation was poor and second, because incomes were poor. However, the regional differences found in incomes were clearly less pronounced than in western Germany.

This analysis was based on the transition period. During this phase, the regions adapted to the new market economy environment in ways which still affect their progress today. For unemployment, the most recent figures are available and can be used to analyse regional disparities. According to the data for December 1997, the same structures emerge again. These figures may in this case also be used for micro-region analysis, i.e. at the level of the individual local employment office (see Bach, Jung-Hammon, Otto, 1998). In contrast to the regions in the west, the situation in urban centres seems rather favourable. The unemployment rate for Potsdam and Dresden, for example, is merely 16% and for 18% Leipzig, while the overall rate for all new *Länder* together is 21%. On the other hand, rural unemployment is high, particularly in the north. The Demmin office in Mecklenburg-West Pommerania is the record holder with an unemployment rate of 30%.

It is once again clear that the regions of the eastern *Länder* bordering on the former border generally have not experienced any positive developments. Things are different around Berlin, in particular West Berlin, where unemployment rates are generally lower (lowest rate in Potsdam). This is because West Berlin, which used to be a city without a hinterland, is now undergoing the same changes as other urban centres in western Germany, i.e. a shift of production capacity away from the centre to the periphery. The relatively favourable unemployment figure for East Berlin, however, is mainly attributable to the fact that the number of workers commuting mainly to the west part city is particularly high (see Bogai, 1996). The figures for the regions bordering on the Czech Republic are surprisingly rather positive while those for the regions bordering on Poland are disproportionately negative (see Bach/Jung-Hammon/Otto, 1998).

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[20] Correlation was 0.58 (see Blien/ Hirschenauer, 1994).

[21] Correlation with reduction in employment: - 0.76.

All in all, it may be seen that regional development in the eastern *Länder* has been very varied. Thus, regional disparities are a real problem for structural policy- and regional labour market policy-makers.

3. Use and role of labour market policy in the transformation process

Given the developments described above, investments to renew plant and infrastructure will play a key role in solving labour market problems in the new *Länder*. Economic and structural policy will have to maintain or even boost levels of private and public investment in order to create competitive jobs.[22]

There is a plethora of economic development programmes (e.g. investment subsidies, low interest loans, guarantees, tax advantages, subsidies for research and development for SMEs), many of which may also be combined. Because of insoluble allocation problems it is impossible for practical purposes to assess the impact (net effect) of these programmes on maintaining existing or creating new jobs (Riedel/Wiesner, 1995). However, a total of DM 178 billion was granted for direct promotion of industrial and infrastructure investments between 1990 and 1993. According to business surveys, without these subsidies 37 % of the companies would not have made any investments at all and 33 % would have invested less. A total of DM 272 billion supported the eastern German economy (including *THA* companies, see Table 3) in the form of west-to-east transfer payments from 1991 to 1996, although only part of this sum was used for investments. In addition, the impact of investment on employment potential is often delayed and is clearly still insufficient to compensate for the job deficit in the medium term, even though investments per capita have been higher than in the west since 1993.

In this situation, labour market policy had - and still has - an indispensable supplementary role to play. It may now contribute to structural changes and the creation of permanent jobs to a greater extent than was previously possible in the old *Länder*, but it cannot do so alone. It must continue to take the peculiarities of what was a drastic transition to a market economy with all of the ensuing problems fully into account. The problem is not merely a temporary slump in employment, but longer-term, persistent mass unemployment. The situation has tended to polarise between weakly structured and better off regions (see above) and is characterised by increasing segmentation and growing long-term unemployment.

The following matrix shows the most important functions of labour market policy.[23] Some of these instruments may also perform several functions at a time:

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[22] There are of course also other political instruments for solving the employment problem e.g. monetary and wage policy.

[23] For more on the systematisation of the role of labour market policy in the transformation process, see Brinkmann et al, 1992

Dimension of time	Level	
	Individual	**Society/Labour market**
immediate	social security: earnings-substitution benefit or income from work	relief effects: prevention of unemployment
future	acting as a bridge to: better personal employment opportunities	acting as a bridge to: better supply situation in the economy; development of new fields of employment

There was no way that the 1969 *AFG* (Labour Promotion Act) could have foreseen the state of flux in the new *Länder* after unification. Consequently, labour market policy also often stepped in to save the day by hastily creating immediate, exceptional measures that would work quickly to ameliorate the situation, although these measures could not tackle the employment problem as such. A short-time working allowance was the most popular choice of 'first aid' measure. It was used to prevent registered unemployment skyrocketing and to buy time for productive solutions.

As previously mentioned, one of the roles of labour market policy then is to relieve the labour market. Figure 3 illustrates the cumulative effect of the main categories of measures (including the recipients of early retirement payments made in accordance with provisions made by the former GDR government). Top of the list are short-time working allowances and early retirement pay. Both are earnings-substitution benefits not linked to maintaining qualifications or improving supply, although short-time work does stabilise employment. Job creation schemes and training courses also relieve the labour market, but they require a certain start-up phase. Such projects can only be implemented if there are enough capable organisers, something which cannot be established overnight. The peak figures of 400,000 to 500,000 persons (resources) involved in such measures by far exceeded the figures for western Germany compared to the respective numbers of persons employed, (e.g. in 1992 roughly 80,000 job creation schemes and 250,000 full-time schemes for vocational training).

At a later stage, *AFG* job creation schemes and the funding of further training and retraining acted as 'bridges' both for individuals and for the labour market as a whole. They were aimed at opening up new vocational prospects both for individuals and the entire labour market. In both 1992 and 1993 expenditure on active labour market policy measures (these include job introduction allowances, mobility subsidies and start-up assistance for becoming self-employed)[24] totalled almost DM 20 billion. These measures are still available although funding has been reduced slightly. They accounted for 45 % of the expenses of the *Bundesanstalt für Arbeit* in eastern Germany in 1995 and still

[24] Only the most important types of measures will be discussed here. For more on work experience allowances, see Blaschke/Brinkmann/Nagel, (1995); for bridging allowances up to the time self-employment starts see Brinkmann/Otto (1996) and Wießner, (1998).

34% in 1997; these percentages are much higher than for western Germany (Tables 8 and 9).[25] Some of the active and passive labour market policy measures in eastern Germany are paid for from the income surplus of unemployment insurance in western Germany (1997: about DM 17 billion), some from the federal subsidy earmarked to balance the deficit in the *Bundesanstalt*'s budget (1997: about DM 10 billion, see Table 10).

The longer the employment crisis lasted, the more early concerns were confirmed that labour market policy alone could not eliminate the job deficit. Many considered it expedient to use labour market policy not only as a source of additional support, which it had been traditionally, but to also use these funds to directly promote and support the economic upswing. One example would be to use job creation measures to improve and redevelop industrial sites and buildings, thereby removing obstacles to investments. '*Mega-ABM*' (large scale job creation measures)[26] heralded a shift away from the *AFG*'s traditional approach of supporting individuals towards supporting projects. More and more innovative forms of training people to meet the requirements of business and industry were sought (integrated further training and job support strategies)[27]. On the other hand, there were (and still are) problems with this approach too: to what extent should those that pay contributions to the *BA* or employment insurance fund have been and still be expected to assume the more of the role of structural policy, if only in the form of co-financing? The best way to finance post-unification transfer payments and justice in the distribution of the funds in general have been issues under discussion for some time.

The most obvious example of this recent and quite controversial concept is the introduction of lump-sum wage cost subsidies (*AFG*, section 249h); these were included for the first time in the *AFG* in early 1993 and initially limited to five years. *AFG* section 249h schemes can claim wage cost subsidies equal to wage substitution benefits saved (average of unemployment benefit and unemployment assistance) in the fields of environment, social services, youth welfare, also in popular sports (after mid-94), independent cultural work and preparatory conservation of monuments. Since these projects are financed by the *Bundesanstalt für Arbeit*[28] only to a relatively small extent, they must be co-financed by the federal government (or the *Treuhandanstalt*, which is a government body, and its successors), the *Länder* and local governments which benefit from or enjoy fiscal relief because of these structural measures. About 110.000 people were employed in such schemes at the end of 1995, mainly in the field of environmental improvement; the average for 1997, however, was down to 88,000 persons. This indicates that there are more and more financial bottlenecks experienced by the co-financing organisations, and probably also a reduced willingness to co-operate across various policy fields because of the high cost associated with such co-operation, i.e. it is frequently extremely difficult to secure all the financing for a package of schemes in negotiations with the various political players involved. Recent growth trends were caused by new

[25] Second to active labour market policy measures, earnings-substitution benefits (unemployment benefit as insurance payment and the complementary income-related unemployment assistance paid by the federal government) have helped to provide social security for individuals affected by unemployment, and thus at the same time to stabilise purchasing power.

[26] See section 4.4 below

[27] See section 4.4 below

[28] See section 4.4 below

legislation permitting the payment of these lump-sum wage cost subsidies directly to companies in some cases, if employment is expanded in industry.

4 Active labour market policy successes

4.1 Individual benefits and effects on the labour market

According to the *AFG* (Labour Promotion Act), labour market policy measures had ‘to be designed within the framework of the federal government social and economic policy with a view to achieving and maintaining a high level of employment, constantly improving the structure of employment, thereby promoting economic growth’ (section 1). As already clear from the graph above, this means they must serve both the needs of individuals and meet national economic or social objectives. Job creation measures are designed to reach certain target groups (e.g. long-term unemployed persons or women) and to cover individual needs (e.g. avoiding the negative consequences of unemployment, ending up with a regular job, job stability). They are also intended to have direct and indirect employment effects, with an eye on the risks of deadweight effects, crowding out and substitution and the benefit of the measures in real terms (i.e. including the effects on the regional labour market). Certain measures (e.g. integration subsidies for people who are difficult to place) are intended to be mostly or even exclusively assistance in individual cases. However, integrating workers in the job creation scheme into the regular labour market, which is the final objective of most labour market policy instruments, may be enhanced by the structural policy effects of the measures themselves (see section 4.4). In such cases, the measures act as a bridge for both individuals and for society at the same time.

The measures generate various cost and budget effects (lower expenditure and higher income for regional authorities and social insurance funds). The alternative costs for the national economy must be considered (Bach/Spitznagel, 1992). Any assessment of the effectiveness and efficiency of labour market policy measures in the eastern German conversion process must take a whole range of issues into consideration. It is important to note that research results obtained to date are too isolated and too descriptive to permit a comprehensive evaluation of the role of labour market policy in eastern Germany. Any such research has been seriously hampered by a lack of precedents, numerous changes in the conditions applying to instruments when measures are implemented, and by insufficient data. Based on existing results, it is impossible to say whether a totally different employment policy thrust would have brought about better results on the labour market.

Special regulations designed to simplify things facilitated the broad implementation of labour market policy. The possibility of obtaining co-financing for material assets from the federal government’s tax-funded programme ‘*Gemeinschaftswerks Aufschwung Ost*’ initially helped very much with job creation measures. In fact, the Labour Market Monitor showed that between November 1989 and November 1994, 57 % of eastern Germans of working age participated in labour market policy measures (some several times) (*Infratest Sozialforschung*, 1995). When in-house training that does not receive public subsidies is included, 81 % underwent such adaptation. Many deplore this fast and wholesale intervention of labour market policy as being the outcome of structural policy measures implemented by regional authorities that were too late and insufficiently comprehensive. One only needs to recall the debate about the weighting of privatisation and restructuring for the *Treuhandanstalt*'s large companies and about 'industrial centres' which are being maintained or re-established in regions where structures are poor, sometimes with funds from the *Länder* governments.

Given the scale of the implementation of such measures, it comes as no surprise that there was hardly any focus on target groups in the eastern *Länder*, particularly in the initial phase. This was intentional, because the problems posed by the sheer numbers of people had to be dealt with first. In any case, target group focus would not have made much sense at that time, because the selection processes that disadvantaged certain groups in the labour market as already seen in western Germany had not yet taken place. Since the end of 1992, more emphasis was put on shifting to a target group focus approach. As a result, significantly more women and older people participated in job creation measures. However, more university graduates participated as well, more than the corresponding number of unemployed or long-term unemployed graduates.

Not initially focusing on target groups in the new *Länder* was also a major factor in facilitating the implementation of measures such as recycling of certain areas, development of industrial parks, and improving/restructuring old industrial sites and operating facilities. The major concern when devising these measures was to create meaningful activities for large numbers of unemployed people or people threatened by unemployment. At the same time, this compensated for some of the deficits in the eastern *Länder* and improved conditions for creating new jobs.

The main reason for assigning such additional functions to labour market policy was that the administration in these *Länder* was still in the start-up phase for the most part and frequently barely operational. It is important to remember that this was a situation unparalleled in history. The question arises as to whether there can be greater emphasis on the 'structural policy potential' of labour market policy in the future and if so, to what extent.

4.2 Relieving the market and cost comparison

Tables 11 and 12 show how, according to *IAB* calculations, labour market policy measures implemented in western and eastern Germany relieved the strain on the labour market. The basic assumption is that the measures did not restrict other activities. On average for 1997, such measures reduced western German unemployment by about 535,000 (compared to about 635.000 in 1996), and eastern German unemployment by about 625,000 (compared to 840,000 in 1996). This includes the indirect employment effects of job creation measures and full-time equivalents of short-time work. It takes into account the fact that part of the effect apparently works in favour of the silent reserve (hidden unemployment). At the end of 1991, the strain on the eastern German labour market was eased by almost 2 million people as a result of short-time work, employment promotion measures (direct employment effects only), training schemes and early retirement, while 'only' about 1 million were registered as unemployed. With the end of the special rules for short-time work and early retirement, changes in the law and tight budgets, this relief diminished significantly and will probably continue to do so (especially because early retirement arrangements have been discontinued,see Figure 3).

Table 13 shows a calculation of the 'total cost of unemployment for public budgets' in 1996. The average annual unemployment figure for 1996 was just under 4 million; as a consequence, public budgets (including social security funds) faced expenses and reductions in income (in taxes and social security contributions) of DM 158.9 billion (about DM 40,000 per unemployed person per year - in eastern Germany it amounted to almost DM 35,000, in western Germany to DM 42,000).

Any measures designed to reduce or prevent unemployment lower the cost of unemployment and may therefore be viewed as a financial offsetting factor. Table 14 presents a comparison of the cost of job creation measures/unemployment for 1996 by different types of schemes and participants. Table 15 compares further training measures and unemployment. If in the case of job creation schemes, only direct employment effects are considered, the 'self-financing ratio' (lower expenditure and higher revenue as a % of the cost of the measures) was 64% in western Germany and 62 % in east Germany. For further training (promotion of further training and retraining by the *BA*) these ratios are 68 % (western Germany) and 67 % (eastern Germany). When indirect effects are included, the overall picture is more favourable. However, these ratios only apply to 'all public budgets' and not to an individual budget (nor do they apply to the budget of the *Bundesanstalt für Arbeit*).

Special studies have shown that job-creating measures in the eastern *Länder* involve investment spending (see below). They are generally used to improve infrastructure and the environment. At least half of the job creation schemes involved investment spending in the strictest sense of the term, i.e. measures to improve business/industrial infrastructure or the environment and to repair/plan buildings. In the case of measures drawing on lump-sum wage cost subsidies this percentage is higher still.

From a macro-economic perspective, measures to promote employment could have negative repercussions for the economy which might cancel out any benefits achieved for employment and relief for the labour market. If they are funded by higher taxes or social security contributions they might smother private demand. Financing by higher public debt and a more intensive use of the domestic capital market might drive up interest rates, stifling private investment and limiting future scope for action in financial policy ('crowding out' effects).

This basically simple mechanism of economic balances rapidly becomes complicated, because chains of cause and effect with many links come into play. The outcome is highly uncertain, especially because labour market policy may be credited with not only the current relief effects but also positive allocation effects, which might affect the cost-benefit ratio, although the labour market will probably not feel any benefit until much later.

It is important to remember that any negative repercussions stem from the net cost of these measures alone, because at the level of the national economy, labour market policy only generates additional expenditure to the extent that the cost of any measures exceeds the cost incurred as a result of unemployment.

The first labour market has absolute priority. Labour market policy cannot act as a global employment policy. The question whether a fundamentally different strategy - such as lowering social security contributions or taxes to the detriment of labour market policy - would bring about better results on the labour market cannot be answered definitively. It is certain, however, that global measures cannot directly target people who are difficult to place, nor regions with problems, nor specific types of measures. In comparison, job creation measures do enable actions to be very well targeted.

'Crowding out' and distortions of competition play a prominent role in the debate about the use of measures to create employment. Frequently the reservations that are expressed relate to economic or regulatory policy. Such reservations must be taken seriously, because jobs on the first labour market hold absolute priority. Job creation measures may never hamper their creation or endanger their existence.

A number of specific rules was adopted to prevent this; however, they fall outside the scope of this paper[29].

A survey of companies in the eastern *Länder* commissioned by the Federal Minister of Economics and carried out by the *Deutsche Institut für Wirtschaft* (*DIW*) and the *Kieler Institut für Weltwirtschaft* in 1992 concluded that: 'Hardly any company considers job creation projects as unfair competition.' The report goes on to say: 'The trades used to heavily criticise the deployment of job creation scheme workers, but this is no longer an issue. This is partly due to the fact that the labour offices now obtain prior clearance from the Chambers of Trade.' (*DIW-Wochenbericht*, No. 39, 1992).

In its representative establishment surveys on jobs offered in the German economy the *IAB* asked about the companies' position on job creation measures. The replies suggested that on the whole, job creation measures do not interfere with the private economy and the events on the unsupported labour market. When asked about the type of effect job creation measures had on them, 88% of the replies were positive. A minority (3%) or responses were negative, neutral (6 % and 3 % in spring and fall of 1993 respectively) or they did not answer (4 % and 6 %).

4.3 Placement of scheme participants

There are not yet any on-going statistics on the success of job creation measures in reintegrating job seekers into the labour market. Some special studies indicate the following:

- In the western *Länder* 22 % of the participants succeed in finding regular, non-subsidised employment immediately after the scheme ended. About 60% initially were unemployed again. In the longer term, almost 50% end up in employment or training.

- According to the Labour Market Monitor (representative longitudinal study on the working age population commissioned by the *BA*, latest update: November 1994),

[29] The main point is to ensure that these are in fact 'additional' jobs from the perspective of the economy by commissioning business enterprises ('awarding contracts') and involving the regional industrial associations.

almost 50% of all job creation scheme participants in the eastern *Länder* found a job immediately after the scheme ended. Most of them start looking for a 'regular' job while they are still participating in a scheme and many leave schemes early because they have found other employment.

- In the longer term (on average 6 ½ months later), more than half are employed. After taking out of the equation persons who left working life because of their age, the integration rate increases to a good two thirds.[30]

When evaluating the success of integrating participants into the work force one must generally be aware of the following: most participants in job creation schemes in the western *Länder* and an increasing number in the eastern *Länder* are individuals who are difficult to place. Participation in a job creation scheme cannot eliminate all of the factors impeding placement. Furthermore, opportunities for integration are significantly affected by the general situation on the labour market. This is why the integration rate of job creation schemes should not be regarded as the principal yardstick for their success.

The percentage of persons who remained unemployed after participating in a scheme (in November 1994 about one quarter of all participants in the eastern *Länder*) increased over time. The limits of any effective transitional mechanism become obvious if the same employment shortfall persists after the scheme has ended.

The same is true of training schemes. A special *IAB* study revealed that of the German participants in *AFG* subsidised full-time vocational further training schemes who completed this training in the third quarter of 1993, 51% in the western and 43% in the eastern *Länder* were in employment and contributing to social security by 31 March, 1994 (i.e. 7 ½ months later on average). 31 % in the western and 45 % in the eastern *Länder* were receiving unemployment benefits or unemployment assistance at that time (Blaschke/Nagel, *MittAB*, 2/1995). According to the Labour Market Monitor, 44 % of the east German participants and 52 % of those employed in eastern Germany after the scheme had ended consider that the training had changed their career situation in a positive way - either because they found a new job, because they were able to advance in their careers, or because their jobs became more secure.

In the west there have always been problems in adjusting publicly subsidised vocational training to the qualifications needed in any given region. In eastern Germany these problems were seriously aggravated because of major changes after unification. During the transformation process, the uncertainties about the economic development of the regions pose a very special problem.

Although training efforts are indispensable in view of the fundamental economic restructuring process underway, they might be in vain if the jobs that are needed are not there. Priority must then be on job creation measures (including business start-up assistance). On the other hand, under these circumstances, finding a job can only be regarded as a relative indicator of success. From an individual perspective, taking a train-

[30] Studies on the results of measures of a specific nature in individual regions showing lower integration rates may not be generalised. The relevant special objectives and general conditions must be duly considered.

ing programme instead of being stuck unemployed for a long time can counter the processes of skill loss and destabilisation and improve later employment prospects. Regions have to maintain and expand the available skills pool to remain attractive as an industrial location and to drive future development. However, it is clearly difficult to design vocational further training to meet regional demands for skills, and the more uncertain the regional development prospects are, the more difficult it becomes.

Notes on AFG section 249h job creation measures

In a representative study, the *IAB* asked the organisers of such job creation schemes to provide some preliminary indication of the chances participants have of advancing to regular employment after the scheme. However, there is not yet a body of empirical data on the number of individuals who found employment after receiving *AFG* section 249h support. Assignments (including possible extensions) might be three, or for certain target groups, four years, and so it only makes sense to conduct such studies at a later date.

This instrument's bridging function varies greatly according to employer and subsidised field. In the case of major environmental projects, the goal of labour market policy is - depending on the measure's objective - to help create jobs with other employers (e.g. with businesses that plan to occupy a site that has been improved). In smaller environmental projects, the goal is to affect the labour market directly, as is the case with assistance to young people and social services. Programme participants' chances of being taken on by the organiser after the subsidy runs out are better where the employer is a private enterprise or non-profit organisation under private law (Stark/Wolfinger, 1995). In this respect the wage cost subsidies under *AFG* section 249h seem to work more like adaptation subsidies, doubling as start-up assistance for the services or business in question. A study by *Prognos AG* (Schüssler, 1995: 27) shows similar results. Section 249h scheme workers were asked whether they thought they would have better chances on the labour market as a result of participating in a subsidised project.[31]

It might also be possible to extend job creation measures to support the transition of an entire project until it can stand alone. A study by Knuth (1994) on *ABS* enterprises[32] indicates that about 3% of programme participants are able to set up their own shop. However, this study does not make a distinction between job creation schemes and section 249h projects.

It must be assumed that section 249h projects in areas where the *THA* is operational created better conditions for individuals to make the transition to regular employment, because of the stronger direct involvement of private companies. Conditions become more favourable at project level as a result of competition: in the tendering process, *ABS* enterprises are on equal footing with private enterprises, which means that they are more market-oriented and their organisation and processes are closer to business man-

[31] It says: 'Participants whose employer is a Labour Promotion Enterprise (28 %) or a non-profit organisation (33 %) and those employed with municipal or district governments (23 %) expect their prospects on the labour market to be particularly bleak'. However, 65 % working for churches, clubs, initiatives, foundations and charitable organisations think that their chances on the labour market are improving; the same is believed by 39% whose employer is a private sector company.

[32] See the following section.

agement principles. Private businesses which organise such programmes have an opportunity to test out participants with a view to offering them a permanent job.

When assessing the outcome, however, one must keep in mind that it is not only the programme itself, nor the way it is designed that will determine whether participants then get work: it is also depends on the labour market's capacity to absorb labour. This is why the participants' subsequent success rate in obtaining employment should not be the only criterion used to assess projects which are co-financed by regional authorities specifically because of their importance for structural policy.

4.4 Bridging the gap to structural policy

Once it was obvious that jobs were being cut and structures changing more quickly and more drastically in the new *Länder* than competitive jobs were being created, people began to say that labour market policy had a bridging function in eastern Germany. In addition to its traditional role, labour market policy was now expected to 'improve the supply side conditions for the creation of new jobs on the primary labour market' (Buttler/Klauder, 1993: 3). Below, this paper takes a detailed look at some significant aspects of this development, without attempting any definitive evaluation. Labour market policy did prove that it is capable of both expanding its structural policy function in the transformation process and defining new approaches to promote skill acquisition, employment and infrastructure development, although it is increasingly finding its limits.

Job creation schemes (ABMs), 'Mega-ABMs' and lump-sum wage cost subsidies

In the rapidly deteriorating situation on the east German labour market, job creation schemes (*ABM*s) have made a major contribution to prevent unemployment. '*Mega-ABM*s'[33] played a substantial part in stepping up job creation scheme employment, because they helped to eliminate economic structural deficits on a large scale. Although on average only 11% of all job creation scheme workers were involved in such major projects in 1991 and 1992, they received 21% of the *BA*'s *ABM* expenditure (*Emmerich* 1993). The greater indirect employment effects justify such higher spending, together with the goal of investing more to promote economic restructuring in east Germany with (in some cases the *BA* used federal funds to pay for 100% of the material cost which was then especially high).

When the *BA* experienced increasingly severe budget constraints - in 1993, job creation schemes plummeted - the debate about the distribution of the burdens of unification intensified. With regard to cost accounting for the federal economy, job creation scheme participants' contributions to scheme financing was a specific issue that was raised. It was therefore a logical step to seek co-financing from the regional authorities and the *Treuhandanstalt*, since it was the federal institution responsible for a large number of the old industrial sites. For the same reasons, the east German *Länder* demanded that structural policy programmes be co-financed with labour market policy funds.

[33] Any large scale scheme with more than DM 3 million total funding was called a *Mega-ABM*.

This is when the wage cost subsidies under *AFG* section 249h came in. They were included in the Labour Promotion Act in early 1993 and are governed by different requirements from job creation schemes (Brinkmann/Wolfinger, 1994).

The main reason for the speedy introduction of *AFG* section 249h provisions was that many of the large-scale job creation schemes, especially in the lignite and chemical industry, were about to end because the maximum funding period had elapsed. To avoid a situation where these large-scale measures would be abruptly cut-off, the federal government offered the lump-sum wage cost subsidy under *AFG* section 249h. One of the reasons was, of course, to relieve the *BA*'s budget of job creation spending. However, it was not until the federal government substantially co-financed through the *THA* and social services and youth welfare that significant levels of employment were achieved.

Table 16 shows that, 25% of job creation scheme participants in 1991were employed in environmental improvement projects, specifically in landscape gardening, nature conservation and replanting projects. 22% worked in projects to improve industrial infrastructure, i.e. that former industrial, military or agricultural sites and buildings were reconditioned to make them fit or fitter for the settlement of new industry. Closely behind, ranking third, follow social services. About 11% of the projects involved improving townscapes, villages or residential areas. The expansion of infrastructure for tourism was relatively insignificant at 6 % (Spitznagel, 1992).

Job creation programmes in the new *Länder* were largely designed to improve structures and investment. A comparison with *AFG* section 249h measures provides some preliminary indication as to whether the specific design of this new instrument is more effective or not. The *IAB* representative survey of 1994 is a useful reference for comparison purposes. Table 16 shows how almost twice as many people (44 %) are employed in section 249h projects related to industrial infrastructure measures than in similar job creation schemes. This difference is almost offset by the greater numbers that are involved in job creation schemes to improve the environment, including community projects for the environment and improvement of townscapes, villages or residential areas. The investment component in the strictest sense of the term[34] is at 62 % about 5 percentage points higher for the section 249h projects. If the comparison is limited to large-scale projects the composition is about the same for both types of instruments. It is important to remember that projects supported by lump-sum wage cost subsidies were frequently preceded by a '*Mega-ABM*', so this result is therefore not surprising (Wolfinger, 1995).

However, even more detailed data on subsidised project areas does not permit any definitive evaluation of their significance for structural policy. At least one question remains open: how far does the work done really meet regional needs? In the field of social services and youth welfare in particular, the lump-sum wage cost subsidies may have contributed to setting up new advisory and assistance organisations. In the case of section 249h projects, the danger of choosing the wrong type of project is reduced by the involvement of a co-financing party which is frequently also responsible for structural policy. The same effect is enhanced by the fact that 45 % of *AFG* section 249h

[34] This includes projects for industry-related infrastructure, improvement of the environment, including local authority works in the environmental sector, improvement of villages, towns and residential areas.

participants (job creation scheme participants: 49 %) were working in *ABS* enterprises at the beginning of 1995: these enterprises are themselves closely involved in local networks (see below).

Table 17 shows that according to *IAB* studies, in 1994 the *BA*'s lump-sum wage cost subsidies covered merely 22% of total project costs. The *Länder* contributed about 27% while *THA* (or its successors) were the major contributors, covering 44% of the cost (Emmerich/Wolfinger, 1995). This demonstrates that, in fact, those who are benefiting most from the schemes' added value are contributing more of the financing. However, there is not sufficient data to say whether the distribution of costs among co-financing parties in relation to the benefits they receive is appropriate. It is striking that both the local authorities and the project organisers were very restrained in their involvement as co-financers. However, this is only true for the (relative) amounts of financial involvement (1% or 5%). Although the funds the local authorities contributed were comparatively small, they were still involved in 28% of the projects.

Training to meet industry's needs

The various regions in the former GDR were in very different stages of development and had different skill pools. Such potential was (and partly still is) a major factor in the selection of an industrial site: this 'endogenous development potential' was generally[35] a starting point for all kinds of training schemes, in particular retraining programmes.

However, these pre-unification structures give no indication of how a given region's new economic basis will evolve. Because of the radical structural change in the former GDR, only limited analogies with general or regional developments in western Germany can be drawn. Frequently political decisions play an important role and they are neither predictable nor based on purely economic or labour market related factors. A striking example were the early attempts to maintain Jena as an industrial location (Mütze, 1993; Weisshuhn, 1993).

In situations such as these, it is very difficult to decide which occupations, which skill levels, and which trainee profiles to train for. Such decisions are determined by development trends in economic structural terms which can only be perceived, if at all, if the information base is wide enough. The more uncertain these regional development prospects are, the more decisions on the content of training schemes depend on the co-operation and support of all parties involved in the local decision-making process (companies and their representatives, trade unions, and those responsible for business promotion and structural development in the regional authorities).

Necessity is the mother of invention: new co-ordinating bodies were created in eastern Germany to overcome these difficulties, such as regional *Aufbaustäbe*, i.e. Reconstruction Staff Offices and *RQZ*s, i.e. Regional Training Development Centres (these are part of an interregional network called *QUEM*, i.e. Training Development Management).[36]

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[35] Where there are massive mono-structures (i.e. domination of obsolete industries) the assessment would certainly be different.

[36] For objectives and tasks, see *QUEM*-Bulletin 1/92:1

Initially, when there were still few operational local administrations in place, these Reconstruction Staff Offices formed interdepartmental bodies that could implement investment and labour market promotion measures flexibly and without too much red tape. (Fritzsche/Groß/Völkel, 1993). The *RQZ* were subsidised by the Federal Ministry for Education, Science, Research and Technology and as academic service provider they were entrusted with the task of analysing the development of training at the regional level and advising local organisers (providers of education) and companies. These bodies existed for a limited time only and were only able to have a limited effect on events.[37]

Nevertheless, training based on industry's needs is the (not so new) key element. Projects to support regional economic development by providing the required skills or by linking employment promotion and structural policy as described above affected the infrastructural prerequisites for such linking, but did not affect - or only barely affected - the supportive instruments themselves. The specific conditions attached to subsidies frequently make it difficult to effectively combine various political instruments. More extensive proposals along these lines were developed to support companies by providing publicly-funded staff training.[38]

In Saxony special attention has been given to *ABS* enterprises (Labour Promotion and Structural Development Enterprises: see below) 'which provide worker training that is targeted to meet the labour and skill requirements of existing companies and/or new investors' (*Aufbauwerk im Freistaat Sachsen,* 1993: 26). In 1996 in about 40 '*Z-ABS*'s (i.e. targeted *ABS*s) the Land government funded over 70 full-time employee positions forming a core work force. Their task is to facilitate the transition of *ABS* enterprise employees or unemployed (at least 50 per year) to the regular labour market by means of training schemes. This 'holistic' approach includes a whole range of subsidies such as start-up financing, complementary project subsidies, increase of *AFG* benefits for training and possibly wage cost subsidies if permanent employment is offered (*Freistaat Sachsen,* 1994: 49 ff.).

The Brandenburg *Land* government has also been looking at providing training to meet the requirements of industry, although with a slightly different approach. 'The exceptional situation in the eastern *Länder,* including in the *Land* Brandenburg, forces us to take unprecedented action. In view of the extensive breakdown of economic structures and the resulting high unemployment we shall attempt to train people in a way that sup-

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[37] Once regular administrative structures had been established, the Staff Offices which had been set up almost everywhere in the new *Länder* at rural district level under the *Gemeinschaftswerk Aufschwung Ost* disappeared. QUEM continued to work, its research and advisory services were, however, no longer explicitly limited to transformation and regional development problems (*QUEM*-Bulletin 12/95:8).

[38] The *QUEM* Board of Trustees published a series of theses: On the Transformation of Training and Socialisation Potential of the Labour Force in the new *Länder*. In this context, Thesis 8 addresses new state responsibilities. The reasons are as follows: 'Public subsidies are required because the lack of prospects for eastern German companies often proves to be an obstacle to training, thus limiting the potential of the company as a place of learning. In this case public subsidies would not be for material or products, but for changes required in companies regarding expertise and motivation. They are therefore intended to reduce critical competitive disadvantages'. The paper says that public investment subsidies in corporate human resources are generally a taboo in the old *Länder.* See *QUEM*-Bulletin, 6/1993, p. 6

ports, accompanies and stimulates the establishment or restructuring of enterprises. These efforts are to be closely linked with the development of the particular region. In a way, it is an attempt at self-help, taking the initiative to create jobs ourselves. We must create islands of hope and than work on expanding them.' (Haase-Schur, 1993).

The traditional approach is turned upside down here and a new role proposed for publicly-funded training: the idea is to provide encouragement to take the initiative to create jobs. The training should, either in tandem or in advance, always be linked to a corporate plan and structural policy assistance and help to create jobs, in particular where there is no external investor. This is a new type of support for regional development through vocational training.

An example in point is the new enterprise programme *E-GO* (*Europäische Gründungsoffensive Eberswalde*) styled after a similar programme that was successfully completed in Sweden and now run with Swedish assistance as a pilot project. Funds come from the European Social Fund (Community Initiative *Adapt*), the German Federal Ministry of Labour and Social Affairs ('Promoting New Approaches in Labour Market Policy'), the Labour Office (*AFG* funds) and the Brandenburg Ministry of Labour[39] and Ministry of Economics[40]. Consulting is provided by *Technologie- and Innovationsagentur Brandenburg GmbH*, a company set up with the assistance of the Federal Ministry of Economics. In mid-96, a total of 84 potential entrepreneurs, managers and other employees were involved in the project, which is about 'training for the skills needed by industry with the objective of establishing self-employment in Eberswalde and of creating new jobs' (*Europäische Gründungsoffensive Eberswalde*, 1996).

The project benefits from experience accumulated by the Ministry of Labour in the area of promoting self-employment since 1992 (subsistence allowance, counselling and training).[41] This experience shows that the content and curriculum of any training programme must be tailored to the specific situation of people intending to set up their own business and must be combined with other types of subsidised programmes (Haase-Schur, 1995).

'Training for the needs of industry' has progressed far beyond the stage of trying out prototype projects. There are new approaches, only some of which could be mentioned in this paper by way of example. Increasingly, training is also provided as part of job creation and *AFG* section 249h wage cost subsidy programmes (Miethe/Brödnow, 1993; Stark/Wolfinger, 1995). However, there is hardly any systematic information on the extent to which the large scale and sometimes innovative deployment of publicly funded training has contributed to maintaining the development potential and to improving the employment opportunities in the new *Länder*.

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[39] Ministry of Labour, Social Affairs, Health, and Women of Brandenburg

[40] Ministry of Economics, SMEs and Technology of Brandenburg

[41] Both in 1993 and in 1994, about 2,000 unemployed people setting up their own businesses received support in Brandenburg, but less than half really made use of the advice and training offered. For more on this, see Sund's paper in the intermediate report of *Europäischen Gründungsoffensive Eberswalde* (1996). The new *Land* programme **Training and Working for Brandenburg** continues to promote the creation and stabilisation of self-employment by prioritising training (it is expected that about 800 cases will be eligible in 1996). See *Ministerium für Arbeit, Soziales, Gesundheit und Frauen*, 1996.

ABS companies: a part of employment policy infrastructure

In eastern Germany after unification there were new challenges to be met and a need to ensure the use of labour market policy instruments, but at the same time the relevant ‘infrastructure’ had to be created from scratch virtually overnight. Labour offices were set up very quickly. In addition to the traditional organisers of labour market policy measures (in particular educational institutions), most of which were imported from the west, an innovative institution was developed: the *Gesellschaften zur Arbeitsförderung, Beschäftigung and Strukturentwicklung,* (*ABS*), Labour Promotion and Structural Development Enterprises. These east German employment enterprises, as the name implies, were designed to link up with structural development in a specific way. They were conceived as the result of an agreement between the *THA*, employers’ associations, trade unions and the eastern German *Länder* reached in July 1991. They were linked in a network across large areas via provider organisations, which mainly contributed services and counselling. Local community employment enterprises worked in tandem with them. *IAB* surveys of the provider organisations (Brinkmann/ Hiller/Völkel, 1995) show that they employed an estimated 145,000 workers[42] by mid- 996, the vast majority in job creation schemes and with *AFG* section 249h wage cost subsidies. Since the overall numbers of participants have gone down, fewer are also working with the *ABS* enterprises (110,000 in the third quarter of 1997).

There are now roughly 400 employment enterprises in eastern Germany which have helped to cushion the impact of job cuts. Assessments of their actual structural policy effectiveness differ. (Baur/Kühnert/Schwegler-Rohmeis, 1995; Hild, 1995; Knuth, 1994).

These enterprises themselves are the result of co-operation between the different players on the labour market. (Kaiser/Otto, 1993; Brinkmann/Hiller/Völkel, 1995). Local governments, rural district administrations, district trade organisations, Chambers of Commerce, enterprises, and providers act as shareholders and work together on the board or advisory councils. At first these co-operative relationships were described as positive. More recent studies are much more diffident about the existence and efficiency of co-operative structures. This indicates that things might change over time (Stark/Wolfinger, 1995). Nevertheless, it still seems that their participation in the local networks that are important for regional structural policy is essential for any meaningful association with structural policy.

There is no doubt that the activities of the employment enterprises are extremely important for the structural policy of the regions, as they focus on development for construction, industrial sites and recreational areas, renovation and replanting projects, transport and tourism improvement projects, planning work etc. (Kaiser/Otto, 1993: 9; Baur/Kühnert/Schwegler-Rohmeis, 1995: 497). Baur *et al.* judge this as follows: ‘It is true that the empirical data on the jobs provided by these projects by itself does not indicate whether and to which extent these services are really used by the communities, but it may be safely assumed that this is the case because of the community nature of the enterprises and the fact that they participate in bodies responsible for regional structural development.’ (p. 497). Hild, however, assumes that although this activity fulfils a necessary condition for structural policy, it is by no means enough. ‘After all,

[42] The figures for Brandenburg are only estimates because of technical conversion work.

the region does not compare favourably with others whose environment is sound simply because its environment has been improved and is now half-way acceptable; it has not yet gained any advantage as an industrial location: at best it has ceased to be an undesirable outsider.' (p. 509). Knuth, on the other hand, points out that an improvement in the 'quality of life' might already work in the region's favour as a 'soft' location advantage' (p. 41). Whatever the case may be: it is obvious that additional studies are required to determine the extent to which the indisputable structural policy potential of the employment enterprises' activities was (and is in fact) utilised by the regions for their development. The same is true for the sort of innovative projects which are frequently mentioned in case studies, where reliable data on progress and actual implementation are still unavailable (Hild 1995: 508).

The July 1991 general agreement on the establishment of *ABS* enterprises voices the hope that not only job creation schemes but also *ABS* training schemes will help create better conditions for a successful reorientation of the east German economy. It also stresses that new companies should grow out of the *ABS* enterprises. Both of these expectations have only been partially met.

Both in 1991 and in 1994/95, fewer than 5,000 people participated in*ABS*-organized further training and retraining courses. Although co-operation with external training providers was initially intensive, it has clearly slackened over time (Baur/Kühnert/Schwegler-Rohmeis, 1995: 495; Brinkmann/Hiller/Völkel, 1995: 482).

Only a small number of scheme participants were able to set up shop as a spin off from an employment enterprise or start their own business. There were a great number of obstacles: lack of capital, too little time for implementation, unfavourable general economic climate, lack of 'the right stuff' with competent entrepreneurial personalities, lack of know-how on the part of the new entrepreneurs, unclear property ownership issues. One author sees obstacles in the special conditions governing the *ABS* enterprises' activities (Hild, 1995: 510). Quite critically, Hild says that 'the reasons for such obstacles are already implied in the insurmountable conflict of interests that separates the major political players'. In his view, the work of the *ABS* 'acted like a magnifying glass exposing the lack of co-ordination between the different political players'. (Hild, 1995: 514). These are, however, merely conclusions 'with a high degree of probability' from the results obtained so far and some data sampled from case studies. Jumping to general conclusions seems as inappropriate as ignoring warning signs that there are problems.

It is important to remember here that, especially in the early years, many *ABS* enterprises were set up to relieve former *Kombinate* of their excess personnel, thus permitting them to stand their own ground in the marketplace. There are fears that now they have been created, these structures will gain a momentum of their own and continue to operate, even though their labour market policy function might be fulfilled better and more efficiently by traditional providers. They have clearly become more involved in the field of local government activities. Frequently, the structures of *ABS* enterprises are not transparent, nor are the funds channelled through them. These misgivings need to be critically verified as well. So far, no results of representative studies are available.

5 Conclusions

In the new *Länder* labour market policy was confronted with far greater expectations regarding structural policy than had ever been the case in western Germany. Given the sheer dimension of the problems and the fact that it did not have much support, the challenges it was facing were enormous.

Initially the adaptations made to the range of instruments that had been used in the west not only made employment promotion easier to manage in the transformation process, but also brought about qualitative change. Large-scale projects with relevance for regional structures emerged that were unparalleled by anything similar in west Germany. On the institutional side, this development was strengthened by the introduction of the *ABS* enterprises and instruments, particularly the lump-sum wage cost subsidies under *AFG* section 249h. The latter virtually made co-operation with other political players essential because of the need to provide for co-financing. However, co-operation also incurs expenditure and it should not be forgotten that there are limits to the use of funds financed by contributions.

Many restrictions still prevented the various political players from collaborating well. For example, the *AFG* still does not permit training to enable people to set up their own business, although there are other forms of subsidies that will allow this. There still is a lack of support for *ABS* enterprise hive offs because of the different ways of thinking on the part of employment promotion and economic promotion subsidy decision makers (e.g. about what is considered 'additional' and the profit orientation of the activities) (Hild, 1995). Yet in many places in eastern Germany, a new (economic) start could not have come about as quickly without labour market policy assistance.

The special political and economic conditions after unification resulted in a transfer of public funds to eastern Germany earmarked for general and for labour market policy purposes in particular, to an extent totally unparalleled in any other central or eastern European transformation country. About DM 140 billion were transferred net in 1996, which represents more that 4% of the western German GDP and about 35% of the (nominal) GDP of eastern Germany (Table 3). This provides support for purchasing power and investment; it cannot be increased at will and although considered a necessity by economists and politicians for a number of years, this transfer of funds is also increasingly being challenged.

For the period 1990 to 1997, the *Bundesanstalt für Arbeit* faced an overall 'east deficit' of about DM 200 billion (Table 10). Only part of this deficit was made up for by the tax-financed payment from the federal budget. Co-financing the cost of unification with insurance contributions (the same applies for other fields of social security such as pension funds) is quite a controversial issue (Kühl, 1993), for one because of the higher ancillary wage cost this entails. At the time of unification the unemployment insurance contribution was upped from 4.3 % to 6.8 % (later 6.3 % and most recently 6.5 %). Labour market policy was the first political area to have its institutions in place and operational in eastern Germany, and so pressure to act was exerted on it which was totally out of proportion compared to other political areas (structural and economic policy). This was combined with excessive expectations of its ability to solve the employment problems, expectations which were all the more unreasonable since it was supposed to solve everything on its own. Nevertheless, these assertions are not meant to detract from the achievements of labour market policy nor its many different functions throughout the transformation process.

The times of massive labour market policy implementation in eastern Germany is nearing its end. The pressure exerted by the problems remains though, together with the need to act to solve the employment dilemma - in both eastern and western Germany - instead of continuing to finance underemployment. The experience acquired in the new *Länder* has taught us how important it is that other relevant political players live up to their responsibilities; it is also important that supporting labour market policy instruments continue to be implemented and co-ordinated as much as possible with other political initiatives. Clearly, expecting a single political solution to meet major challenges - such as the employment problem - by itself is a thing of the past.

Trends in the new *Länder* show very clearly that further training policy and the promotion of job creation measures must work towards different goals. While job creation schemes prioritise the creation of temporary employment, thereby ensuring that funding is, and will be, used to improve the current quantitative balance on the labour market, the subsidies for vocational further training have primarily qualitative and structural objectives. Thus, the purpose of supporting vocational further training and retraining must cease to be simply easing the numbers, as was sometimes the case after unification because of the circumstances. Instead it must help the existing labour supply pool adapt and offer the knowledge and skills required by the future labour market, no matter how difficult this may be.

In all of these considerations it should not be forgotten that the subsidised vocational further training programmes are not primarily economic policy instrument and that therefore the creation of jobs is a prerequisite not a consequence. For this reason, quantitative labour market trends cannot immediately indicate whether the further training policy pursued was on the right track. As the government is responsible for maintaining and improving the international competitiveness of Germany, it must act appropriately to structure the education and training market - including initial training, of course - to ensure that labour (as an economic factor)will be able to compete with other economies, especially in the medium and long term.

It would also be wrong to expect only, or primarily, short-term success from training. Whether or not a trainee finds a job right or shortly after completing a course should not be the only criterion for evaluating further training policy. It is more appropriate to equip the trainee to meet the medium and long term qualitative requirements of the labour market. A balanced mix of key skills and specific technical knowledge is decisive here. Developing such approaches on an education market that is constantly and directly receiving feedback on emerging employment opportunities and then adjusting and controlling supply accordingly is an important goal for educational policy which should never be lost sight of.

But it is also important to remember that the training and qualifications of the labour pool are a major incentive for the development of more sophisticated jobs. Only if supply and demand can be balanced, while upgrading quality at the same time, will

Germany be able to defend (or regain) its edge on the world market for highly qualified production and services.

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Table 1: Key Data on Labour Market Development in Eastern and Western Germany 1991-1997

		1991	1992	1993	1994	1995	1996	1997
A. The demand for labour								
Real GDP	West	+ 5,0	+ 1,8	- 2,0	+ 2,1	+ 1,5	+ 1,3	+ 2,2
(Change over previous year	East	- 19,2	+ 7,8	+ 9,3	+ 9,6	+ 5,2	+ 1,9	+ 1,6
in %)	Total	+ 2,8	+ 2,2	- 1,2	+ 2,7	+ 1,8	+ 1,4	+ 2,2
Productivity per hour	West	+ 3,7	+ 0,2	+ 0,7	+ 3,4	+ 3,5	+ 2,6	+ 3,3
	East	+ 10,2	+ 7,4	+ 10,6	+ 9,8	+ 6,3	+ 4,8	+ 6,0
	Total	+ 8,9	+ 0,8	+ 1,3	+ 3,8	+ 3,6	+ 2,9	+ 3,8
Volume of work	West	+ 1,3	+ 1,6	- 2,8	- 1,3	- 1,9	- 1,3	- 1,0
	East	- 26,7	+ 0,4	- 1,1	- 0,2	- 1,0	- 2,7	- 4,2
	Total	- 5,6	+ 1,4	- 2,5	- 1,1	- 1,8	- 1,6	- 1,6
Average working hours	West	- 1,2	+ 0,7	- 1,2	- 0,1	- 1,3	- 0,2	+ 0,0
	East	- 11,7	+ 15,1	+ 1,6	- 1,9	- 2,0	- 0,6	- 0,9
	Total	- 3,5	+ 3,3	- 0,7	- 0,4	- 1,4	- 0,3	- 0,2
Labour force	West	+ 2,5	+ 0,9	- 1,5	- 1,2	- 0,7	- 1,1	- 1,0
(Change over previous year	East	- 17,0	- 12,8	- 2,6	+ 1,8	+ 1,0	- 2,1	- 3,3
in %)	Total	- 2,1	- 1,8	- 1,7	- 0,7	- 0,4	- 1,3	- 1,4
(Change over previous year	West	+ 710	+ 268	- 455	- 346	- 192	- 308	- 281
in 1,000)	East	-1499	- 934	- 168	+ 111	+ 66	- 137	- 206
	Total	- 789	- 666	- 623	- 235	- 126	- 445	- 487
(Yearly averages in 1,000)	West	29.189	29.457	29.002	28.656	28.464	28.156	27.875
	East	7.321	6.387	6.219	6.330	6.396	6.259	6.053
	Total	36.510	35.844	35.221	34.986	34.860	34.415	33.928
B. The supply of labour								
Potential labour force	West	32.133	32.525	32.698	32.707	32.750	32.781	32.791
(Yearly averages in 1,000)	East	8.961	8.836	8.731	8.612	8.467	8.345	8.251
	Total	41.094	41.361	41.429	41.319	41.217	41.126	41.042
(Change over previous year	West	+ 431	+ 392	+ 173	+ 9	+ 43	+ 31	+ 11
in 1,000)	East	- 296	- 125	- 105	- 119	- 145	- 122	- 95
	Total	+ 135	+ 267	+ 68	- 110	- 102	- 91	- 84
of these: Demographic	West	- 92	- 90	- 112	- 158	- 180	- 162	- 140
	East	- 52	- 28	- 27	- 39	- 48	- 45	- 30
	Total	- 144	- 118	- 139	- 197	- 228	- 207	- 170
Behavioural factor	West	- 165	- 99	- 45	- 25	+ 13	+ 29	+ 60
	East	+ 117	+ 40	- 93	- 82	- 105	- 103	- 64
	Total	- 48	- 59	- 138	- 107	- 92	- 74	- 4
Migration effects and	West	+ 688	+ 581	+ 330	+ 192	+ 210	+ 164	+ 91
bal. of commuters	East	- 361	- 137	+ 15	+ 2	+ 8	+ 26	- 1
	Total	+ 327	+ 444	+ 345	+ 194	+ 218	+ 190	+ 90
C. The labour market balance								
Registered unemployed	West	1.689	1.808	2.270	2.556	2.565	2.796	3.021
(Yearly averages in 1,000)	East	913	1.170	1.149	1.142	1.047	1.169	1.364
	Total	2.602	2.978	3.419	3.698	3.612	3.965	4.385
(Change over previous year	West	- 194	+ 119	+ 462	+ 286	+ 9	+ 231	+ 225
in 1,000)	East	+ 673	+ 257	- 21	- 7	- 95	+ 122	+ 195
	Total	+ 479	+ 376	+ 441	+ 279	- 86	+ 353	+ 420
Unemployment rate	West	5,7	5,9	7,3	8,2	8,3	9,1	9,8
(in % of the labour force)	East	11,1	15,4	15,1	15,2	14,0	15,7	18,1
	Total	6,7	7,7	8,9	9,6	9,4	10,4	11,4
Silent reserve 1)	West	1.255	1.260	1.426	1.495	1.721	1.829	1.895
(Yearly averages in 1,000)	East	727	1.279	1.363	1.140	1.024	917	834
	Total	1.982	2.539	2.789	2.635	2.745	2.746	2.729
of these: Silent reserve	West	770	767	890	977	1.172	1.269	1.404
in the strict sense	East	0	26	137	210	357	421	463
	Total	770	793	1.027	1.187	1.529	1.690	1.867
Silent reserve	West	485	493	536	518	549	560	491
in measures	East	727	1.253	1.226	930	667	496	371
	Total	1.212	1.746	1.762	1.448	1.216	1.056	862
Percentage for the East in %								
Real GDP		7,2	7,6	8,4	9,0	9,3	9,3	9,3
Potential labour force		21,8	21,4	21,1	20,8	20,5	20,3	20,1
Labour force		20,1	17,8	17,7	18,1	18,3	18,2	17,8
Registered unemployed		35,1	39,3	33,6	30,9	29,0	29,5	31,1
Silent reserve		36,7	50,4	48,9	43,3	37,3	33,4	30,6

1) For the recalculated figures for the silent reserve shown here, see Thon, Manfred, Bach, Hans-Uwe: Die Schätzung von Potential-Erwerbsquoten, Stiller Reserve und Erwerbspersonenpotential für die alten Bundesländer 1970 - 1995 (publication forthcoming as Werkstattbericht)

Source: Calculations by IAB

Table 2: The Process of Making up Lost Ground by the Economy of the New Federal Länder, 1991 - 1997

	1991	1992	1993	1994	1995	1996	1997
			Western Germany = 100 per cent				
Real GDP per capita	32	34	39	42	44	44	45
Real GDP per person employed	31	38	43	45	46	46	47
Nominal GDP per capita	32	39	48	53	56	57	57
Gross fixed capital per capita (nominal)	66	91	119	145	152	155	149
Private consumption per capita (nominal)	52	59	64	66	.	.	.
Gross wages per dependently employed person	48	63	71	73	76	77	77
Net wages per dependently employed person	55	67	76	78	82	84	85
Wage unit cost 1)	159	146	133	130	128	129	125

1) Wage unit cost equals income from dependent employment divided by nominal GDP

Sources: Statistical Office of Germany; Deutsches Institut für Wirtschaftsforschung (DIW); own calculations

Table 3: Transfers of Public Finances for Eastern Germany (including Social Security Funds)

	1991	1992	1993	1994	1995	1996	1997
	- Mrd. DM -						
Total net transfers	106	115	129	125	140	140	133
Net transfers made by the federation	42	51	75	71	90	91	81
Determination of net transfers:							
I. Gross transfers:							
Federal budget	75	88	114	114	135	138	140
Fund 'German Unity'	31	24	15	5	-	-	-
EU	4	5	5	6	7	7	7
Pension insurance funds	-	5	9	12	17	19	18
Bundesanstalt für Arbeit	24	39	39	27	23	26	21
Western *Länder*/local communities	5	5	10	14	10	11	11
Total[1]	139	152	168	168	185	187	180
I. Return flow							
Federation's additional tax revenues[2]	31	35	37	41	43	45	45
Federation's additional revenue from administration	2	2	2	2	2	2	2
Total	33	37	39	43	45	47	47

[1] The federal subsidies to the *Bundesanstalt für Arbeit* are counted only oncee. Additional benefits for the new *Länder* are the reduction of tax revenue for the federation and the western *Länder* due to the tax privileges granted to the eastern *Länder*.

[2] Rough estiamte.

Source: Deutscher Bundestag, Printed matter 13/8450, p. 44

Table 4a: GDP, Volume of Work, Labour Force, Working Hours, Productivity and Incomes in Eastern Germany

		Gross dom. product 1)		Volume of work		Labour force		Working hours per employed pers.		In working days		Productivity per worker hour		Productivity per worker		Gross wage sum (national)		Employed workers (national)		Gross wage per worker (national)	
		DM bn.	Changes over prev. year in %	million hr	Changes over prev. year in %	1000	Changes over prev. year in %	Hours	Changes over prev. year in %	Days	Changes over prev. year in %	DM per hour	Changes over prev. year in %	DM per worker	Changes over prev. year in %	DM bn.	Changes over prev. year in %	1000	Changes over prev. year in %	DM	Changes over prev. year in %
1989	JS/JD	302,1				9.747								30.994				9.560			
1990	JS/JD	255,1	- 15,6			8.820	- 9,5							28.923	- 6,7			8.568	- 10,4		
1991	JS/JD	206,0	- 19,2	10.968		7.321	- 17,0	1.498,2		249,0		18,78		28.138	- 2,7	149,13		6.950	- 18,9	21.458	
1992	JS/JD	222,1	+ 7,8	10.948	- 0,2	6.387	- 12,8	1.714,1	+ 14,4	252,7	+ 1,5	20,29	+ 8,0	34.774	+ 23,6	175,79	+ 17,9	5.969	- 14,1	29.450	+ 37,2
1993	JS/JD	242,8	+ 9,3	10.826	- 1,1	6.219	- 2,6	1.740,8	+ 1,6	253,7	+ 0,4	22,43	+ 10,5	39.042	+ 12,3	196,14	+ 11,6	5.757	- 3,6	34.070	+ 15,7
1994	JS/JD	266,2	+ 9,6	10.807	- 0,2	6.330	+ 1,8	1.707,3	- 1,9	251,8	- 0,7	24,63	+ 9,8	42.054	+ 7,7	210,67	+ 7,4	5.829	+ 1,3	36.142	+ 6,1
1995	JS/JD	280,1	+ 5,2	10.698	- 1,0	6.396	+ 1,0	1.672,6	- 2,0	250,5	- 0,5	26,18	+ 6,3	43.793	+ 4,1	226,58	+ 7,6	5.881	+ 0,9	38.527	+ 6,6
1996	JS/JD	285,5	+ 1,9	10.407	- 2,7	6.259	- 2,1	1.662,7	- 0,6	250,7	+ 0,1	27,43	+ 4,8	45.614	+ 4,2	228,51	+ 0,9	5.749	- 2,2	39.748	+ 3,2
1997	JS/JD	290,2	+ 1,6	9.975	- 4,2	6.053	- 3,3	1.647,9	- 0,9	249,5	- 0,5	29,09	+ 6,1	47.943	+ 5,1	223,98	- 2,0	5.543	- 3,6	40.408	+ 1,7

Source: Federal Statistics Office; IAB calculations **1) Real, in 1991 prices**

Table 4b: GDP, Volume of Work, Labour Force, Working Hours, Productivity and Incomes in Western Germany

		Gross dom. product 1)		Volume of work		Labour force		Working hours per employed pers.		In working days		Productivity per worker hour		Productivity per worker		Gross wage sum (national)		Employed workers (national)		Gross wage per worker (national)	
		DM bn.	Changes over prev. year in %	million hr	Changes over prev. year in %	1000	Changes over prev. year in %	Hours	Changes over prev. year in %	Days	Changes over prev. year in %	DM per hour	Changes over prev. year in %	DM per worker	Changes over prev. year in %	DM bn.	Changes over prev. year in %	1000	Changes over prev. year in %	DM	Changes over prev. year in %
1989	JS/JD	2.384,4	+ 3,6	45.591	- 0,1	27.658	+ 1,5	1.648,4	- 1,6	250,0	- 0,4	52,30	+ 3,8	86.210	+ 2,1	988,05	+ 4,6	24.647	+ 1,6	40.088	+ 3,0
1990	JS/JD	2.520,4	+ 5,7	45.872	+ 0,6	28.479	+ 3,0	1.610,7	- 2,3	248,3	- 0,7	54,94	+ 5,0	88.500	+ 2,7	1068,24	+ 8,1	25.453	+ 3,3	41.969	+ 4,7
1991	JS/JD	2.647,6	+ 5,0	46.450	+ 1,3	29.189	+ 2,5	1.591,4	- 1,2	248,3	0,0	57,00	+ 3,7	90.705	+ 2,5	1161,23	+ 8,7	26.136	+ 2,7	44.430	+ 5,9
1992	JS/JD	2.694,3	+ 1,8	47.196	+ 1,6	29.457	+ 0,9	1.602,2	+ 0,7	251,9	+ 1,4	57,09	+ 0,2	91.466	+ 0,8	1240,22	+ 6,8	26.390	+ 1,0	46.996	+ 5,8
1993	JS/JD	2.639,1	- 2,0	45.892	- 2,8	29.002	- 1,5	1.582,4	- 1,2	252,1	+ 0,1	57,51	+ 0,7	90.997	- 0,5	1253,77	+ 1,1	25.931	- 1,7	48.350	+ 2,9
1994	JS/JD	2.694,0	+ 2,1	45.294	- 1,3	28.656	- 1,2	1.580,6	- 0,1	251,0	- 0,4	59,48	+ 3,4	94.012	+ 3,3	1260,83	+ 0,6	25.570	- 1,4	49.309	+ 2,0
1995	JS/JD	2.733,7	+ 1,5	44.422	- 1,9	28.464	- 0,7	1.560,6	- 1,3	250,0	- 0,4	61,54	+ 3,5	96.041	+ 2,2	1290,05	+ 2,3	25.365	- 0,8	50.859	+ 3,1
1996	JS/JD	2.769,0	+ 1,3	43.855	- 1,3	28.156	- 1,1	1.557,6	- 0,2	250,3	+ 0,1	63,14	+ 2,6	98.345	+ 2,4	1299,55	+ 0,7	25.052	- 1,2	51.874	+ 2,0
1997	JS/JD	2.831,0	+ 2,2	43.421	- 1,0	27.875	- 1,0	1.557,7	0,0	249,8	- 0,2	65,20	+ 3,3	101.561	+ 3,3	1296,47	- 0,2	24.769	- 1,1	52.342	+ 0,9

Source: Federal Statistics Office; IAB calculations 1) Real, in 1991 prices

Table 5a: Persons Employed in Different Industries at Different Times Compared to 1989

Industry[1]	Persons employed 11/89			November 1989 = 100 %											
				Total				Men				Women			
	Total	Men	Women	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94
Agriculture	927774	570095	357679	42	29	26	27	42	30	27	26	43	27	25	28
Mining/energy	470511	341682	128829	60	44	41	36	60	47	44	38	60	37	33	31
Construction	722310	590883	131427	101	101	109	115	107	111	120	125	75	58	64	72
Metalworking/electrical engineering	1580116	1086674	493442	63	49	49	49	70	57	59	60	48	32	27	26
Other manufacturing	1160438	602514	557924	60	54	56	55	69	64	70	64	50	44	41	46
Trade	964696	313082	651614	76	68	61	64	83	81	71	72	72	62	57	60
Traffic/rail/postal service	581428	394019	187409	90	83	85	83	92	87	85	87	84	76	84	76
Banking/insurance	76547	12602	63945	196	235	252	266	255	378	552	485	184	207	199	223
Other Services	1949059	608666	1340393	99	94	94	100	97	95	95	99	100	93	94	101
No information	441463	169842	271621	-	-	-	-	-	-	-	-	-	-	-	-
Total	8874342	4690059	4184283	76	70	68	70	78	73	72	73	73	66	63	67
Number of cases	9084	4705	4379	5134	5781	4681	4369	2664	3018	2428	2203	2470	2763	2253	2166

Table 5b: Employed, Unemployed and Long-term Unemployed Persons by Industries and Gender (in per cent)

Industry[1]	Employed persons						Unemployed persons			Long-term unemployed persons[2]		
	11/89			11/94			11/94			11/94		
	m	f	t	m	f	t	m	f	t	m	f	t
Agriculture	13	8	10	4	4	4	11	9	9	8	11	11
Mining/energy	7	3	5	4	1	3	6	3	3	6	3	4
Construction	13	3	8	22	3	13	10	2	4	17	2	5
Metalworking/electrical enegeering	24	12	18	19	5	13	18	14	15	19	11	13
Other manufacturing	12	14	13	11	9	10	13	18	17	12	21	19
Trade	6	16	11	7	14	10	17	22	21	23	25	24
Traffic/rail/postal service	8	5	7	10	5	8	4	4	4	•	4	2
Banking/insurance	0	1	1	2	5	3	•	1	1	•	1	1
Other Services	14	31	22	18	48	31	21	28	27	14	23	22
No information	3	6	5	4	6	5	-	-	-	-	-	-
Total	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases	4705	4379	9084	2203	2166	4369	81	257	338	27	134	161
Extrapolation (in thousand)	4690	4184	8874	3414	2806	6221	253	759	1012	87	378	465

[1] Industry in which they were last employed

[2] Registered as unemployed both in November 1993 and November 1994

Source: Labour Market Monitor

Table 6a: Employed Persons by Age Groups at Different Times Compared to 1989

Age group[1]	Persons employed 11/89			November 1989 = 100 %											
				Total				Men				Women			
	Total	Men	Women	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94
18 - 19 years	294915	166421	128494	86	78	53	62	91	79	56	68	79	76	50	54
20 - 24 years	773224	392004	381220	71	63	60	55	72	71	67	60	70	54	53	49
25 - 39 years	3483186	1824507	1658679	84	77	75	77	85	81	80	79	82	72	68	75
40 - 54 years	3017455	1547728	1469727	81	78	77	80	84	82	82	85	79	75	73	76
55 - 59 years	791169	413300	377869	46	34	42	58	57	40	49	66	34	29	34	49
60 - 64 years	442407	298948	143459	16	11	9	13	19	12	11	15	8	9	6	9
Total	8802356	4642908	4159448	76	70	68	70	78	73	72	73	73	66	63	67
Number of cases	9015	4657	4358	5033	5692	4592	4369	2596	2962	2364	2203	2437	2730	2228	2166

Table 6b: Employed, Unemployed and Long-term Unemployed Persons by Age Groups and Gender (in per cent)

Age group	Employed persons						Unemployed persons			Long-term unemployed persons[1]		
	11/89			11/94			11/94			11/94		
	m	f	t	m	f	t	m	f	t	m	f	t
18 - 19 years	4	3	3	3	2	3	1	0	1	(•)	1	0
20 - 24 years	8	9	9	7	7	7	9	6	7	(2)	•	0
25 - 39 years	39	40	40	42	44	43	33	41	39	(28)	37	35
40 - 54 years	33	35	34	38	40	39	42	39	40	(57)	43	45
55 - 59 years	9	9	9	8	7	7	13	14	14	(11)	20	18
60 - 64 years	6	3	5	1	0	1	2	1	1	(2)	0	1
Total	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases	4657	4358	9015	2203	2166	4369	176	498	674	42	192	234
Extrapolation (in thousand)	4643	4159	8802	3414	2806	6221	273	723	996	93	380	472

[1] Registered as unemployed both in November 1993 and November 1994. For figures in brackets small number of cases has to be considered.

Source: Labour Market Monitor

Table 7a: Employed Persons by Highest Level of Vocational Training at Different Times Compared to 1989

Highest level of vocational training	Persons employed 11/89			November 1989 = 100 %											
				Total				Men				Women			
	Total	Men	Women	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94	11/91	11/92	11/93	11/94
Semi-skilled worker	351401	197662	153739	64	46	34	34	67	52	38	32	59	38	28	37
Skilled worker	4590831	2448219	2142612	74	68	67	69	81	77	76	76	66	59	56	61
Master craftsman/technican	602007	492398	109609	79	67	66	67	77	65	66	67	86	77	68	67
Fachschule	1602263	627739	974524	81	72	72	65	70	59	62	48	87	80	78	77
Institution of higher learning	874478	557794	316684	95	96	109	120	84	87	102	116	115	112	121	127
No completed training	502346	169449	332897	93	80	62	64	139	114	94	94	70	62	46	48
No information	351016	196798	154218	-	-	-	-	-	-	-	-	-	-	-	-
Total	8874342	4690059	4184283	76	69	68	70	78	72	72	73	73	66	63	67
Number of cases	9084	4705	4379	5134	5781	4681	4369	2664	3018	2418	2203	2470	2763	2253	2166

Table 7b: **Employed, Unemployed and Long-term Unemployed Persons by Highest Level of Vocational Training and Gender (in per cent)**

Highest level of vocational training	Employed persons						Unemployed persons			Long-term unemployed persons[1]		
	11/89			11/94			11/94			11/94		
	m	f	t	m	f	t	m	f	t	m	f	t
Semi-skilled worker	4	4	4	2	2	2	6	4	5	(9)	3	4
Skilled worker	53	51	52	54	47	51	54	66	63	(36)	66	60
Master craftsmen/technican	10	3	7	10	3	7	8	3	5	(6)	3	4
Fachschule	13	24	18	9	27	17	13	16	15	(16)	15	16
Institution of higher learning	12	8	10	19	14	17	16	4	8	(26)	2	7
No completed training	4	8	6	5	6	5	3	7	6	(5)	11	10
No information	4	4	4	2	2	2	-	-	-	-	-	-
Total	100	100	100	100	100	100	100	100	100	100	100	100
Number of cases	4705	4379	9084	2203	2166	4369	176	498	674	42	192	234
Extrapolation (in thousand)	4690	4184	8874	3414	2806	6221	273	723	996	93	380	472

[1] Registered as unemployed both in November 1993 and November 1994. For figures in brackets small number of cases has to be considered.

Source: Labour Market Monitor

Table 8: ***Bundesanstalt für Arbeit (BA)*'s Spending in the New Federal *Laender*** **(in DM million)**								
	Type of measure	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
I.	*Future-oriented active labour market policy* measures	7,863.9	19,221.6	19,505.1	15,423.1	16,180.5	16,263.5	13,278.1
	General job creation schemes (ABM)	3,075.3	7,783.6	8,585.6	6,811.5	6,790.6	6,835.0	5,264.7
	Lump-sum wage cost subsidies (§ 249h AFG)	-	-	313.9	1,325.3	1,439.3	1,320.0	1,371.0
	Further training and retraining	4,267.3	10,717.0	10,306.5	6,989.1	7,253.0	7,179.5	5,738.8
	Subsidies to self-employed persons	35.0	64.8	50.5	72.4	240.0	282.7	262.5
	Promotion of return to work/familiarisation allowances	485.4	630.6	151.1	88.3	134.7	127.0	91.1
	Other (ABM for older people. assistance to people who are difficult to place, ESF)	0.9	25.6	97.5	136.5	322.9	519.3	550.0
	Percentage of total spending	26.3 %	41.8 %	38.5 %	37.0 %	45.2 %	42.6 %	34.4 %
II.	*Measures to stabilise employment*	10,080.0	3,009.5	1,371.2	955.1	841.3	682.8	399.3
	Short-time work allowances	10,005.9	2,652.5	918.8	498.7	424.2	435.3	270.7
	Subsidies for losses in pay due to bad weather,winter time etc.	74.1	357.0	452.4	456.4	417.1	247.5	128.6
	Percentage of total spending	33.8 %	6.5 %	2.9 %	2.3 %	2.4 %	1.8 %	1.0 %
III.	*Measures preparing for the labour market*	494.1	1,112.4	1,559.5	1,485.0	1,513.9	1,836.5	2,110.8
	Training	352.0	676.7	923.6	865.3	731.3	747.2	848.2
	Vocational rehabilitation	100.9	324.8	526.8	602.0	781.8	1,089.3	1,262.6
	Integration of repatriates from the East (Integration allow. - Egg)	41.2	110.9	109.1	17.7	0.8	0.0	0.0
	Percentage of total spending	1.7 %	2.4 %	3.1 %	3.6 %	4.2 %	4.8 %	5.5 %
IV.	*Earnings-substitution benefits*	10,558.2	21,362.6	26,596.2	22,099.7	15,554.4	17,512.8	20,998.1
	Early retirement/ retirement transition payments	2,680.3	9,329.8	13,459.5	9,033.0	2,232.6	121.9	101.1
	Unemployment benefits	7,810.0	11,809.2	12,868.3	12,662.8	12,668.5	16,502.5	19,926.4
	Bankruptcy compensation benefits	67.9	223.6	268.4	403.9	653.3	888.4	970.6
	Percentage of total spending	35.4 %	46.4 %	52.5 %	53.1 %	43.4 %	45.8 %	54.4 %
V.	*Other*							
	BA's responsibilities, administration	858.8	1,326.1	1,583.0	1,684.0	1,708.9	1,919.4	1,835.8
	Percentage of total spending	2.9 %	2.9 %	3.1 %	4.0 %	4.8 %	5.0 %	4.8 %
Total		29.855,0	46,032.2	50,615.0	41,647.0	35,799.0	38,215.0	38,622.3
		100 %	100 %	100 %	100 %	100 %	100 %	100 %
Information received: Unemployment assistance (federal budget)		271.3	1,488.5	3,657.8	5,056.9	5,725.9	6,792.0	8,425.2

Source: Bundesanstalt für Arbeit, IAB (V/2 Ba SIMBA)

Table 9: ***Bundesanstalt für Arbeit (BA)*'s Spending in the Old Federal *Laender*** **(in DM million)**								
	Type of measure	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
I.	*Future-oriented active labour market policy* measures	9.881,4	10.412,0	9.578,0	9.321,7	11.626,8	12.897,2	10.829,7
	General job creation schemes (ABM)	2.538,6	2.510,6	2.090,8	2.172,9	2.593,9	2.447,8	1.990,6
	Lump-sum wage cost subsidies (§ 249h AFG)	0,0	0,0	0,0	0,2	31,2	120,1	146,8
	Further training and retraining	6.339,4	6.885,7	6.754,1	6.336,3	7.458,5	8.316,8	6.784,2
	Subsidies to self-employed persons	55,6	71,5	48,1	122,4	582,1	780,3	681,4
	Promotion of return to work/familiarisation allowances	433,6	337,8	122,3	120,5	187,5	198,9	146,1
	Other (ABM for older people. assistance to people who are difficult to place, ESF) *)	514,2	606,4	562,7	569,4	773,6	1.033,3	1.080,6
	Percentage of total spending	23,5 %	21,9 %	16,3 %	16,0 %	19,0 %	19,1 %	16,9 %
II.	*Measures to stabilise employment*	1.890,3	2.322,4	4.801,3	2.966,2	1.774,2	1.687,0	1.088,8
	Short-time work allowances	478,8	949,9	3.335,2	1.600,1	606,1	1.031,9	774,2
	Subsidies for losses in pay due to bad weather,winter time etc.	1.411,5	1.372,5	1.466,1	1.366,1	1.168,1	655,1	314,6
	Percentage of total spending	4,5 %	4,9 %	8,1 %	5,1 %	2,9 %	2,5 %	1,7 %
III.	*Measures preparing for the labour market*	7.796,3	8.068,0	7.268,3	5.288,3	5.022,9	5.309,6	5.085,1
	Training	959,9	1.060,2	1.206,9	1.272,7	1.391,6	1.606,5	1.695,8
	Vocational rehabilitation	3.603,3	4.035,6	4.082,5	3.570,6	3.605,2	3.703,1	3.389,3
	Integration of repatriates from the East (Integration allow. - Egg)	3.233,1	2.972,2	1.978,9	445,0	26,1	0,0	0,0
	Percentage of total spending	18,5 %	17,0 %	12,3 %	9,1 %	8,2 %	7,9 %	7,9 %
IV.	*Earnings-substitution benefits*	16.520,4	20.310,0	30.703,8	34.134,4	36.577,2	40.569,4	40.626,6
	Early retirement/ retirement transition payments	285,1	152,6	62,2	13,7	4,1	1,0	18,5
	Unemployment benefits	15.908,8	19.738,5	29.720,7	33.189,6	35.531,5	39.152,6	39.303,0
	Bankruptcy compensation benefits	326,5	418,9	920,9	931,1	1.041,6	1.415,8	1.305,1
	Percentage of total spending	39,3 %	42,8 %	52,1 %	58,6 %	59,6 %	60,2 %	63,4 %
V.	*Other*							
	BA's responsibilities, administration	5.979,9	6.377,6	6.569,1	6.507,0	6.320,4	6.909,8	6.470,7
	Percentage of total spending	14,2 %	13,4 %	11,1 %	11,2 %	10,3 %	10,3 %	10,1 %
Total		42.068,3	47.490,0	58.920,5	58.217,6	61.321,5	67.373,0	64.100,9
		100 %	100 %	100 %	100 %	100 %	100 %	100 %
Information received: Unemployment assistance (federal budget)		6.863,5	7.617,3	10.317,3	12.374,2	14.739,7	17.432,9	19.572,8
*) Aufter 1997 indluding training courses, integration agreement and hiring subsidy for newly established firms								
Source: Bundesanstalt für Arbeit, IAB (V/2 BA SIMBA								

Table 10: On the Development of the BA's Budget (in DM million)

Budget balance

		1990	1991	1992	1993	1994	1995	1996	1997
Total revenue	**West**	**40.559,8**	**61.243,7**	**69.143,1**	**74.057,2**	**77.496,4**	**77.489,6**	**79.241,9**	**80.725,4**
	East	**3.294,4**	**8.946,9**	**10.538,1**	**11.052,2**	**12.161,1**	**12.721,1**	**12.582,9**	**12.423,2**
	Total	**43.854,2**	**70.190,6**	**79.681,2**	**85.109,4**	**89.657,5**	**90.210,7**	**91.824,8**	**93.148,7**
Total expenditures	**West**	**41.423,1**	**42.068,3**	**47.490,0**	**58.920,5**	**58.217,6**	**61.321,5**	**67.373,0**	**64.100,9**
	East	**2.458,1**	**29.855,0**	**46.032,2**	**50.615,0**	**41.647,0**	**35.799,0**	**38.215,0**	**38.622,3**
	Total	**43.881,2**	**71.923,3**	**93.522,2**	**109.535,5**	**99.864,6**	**97.120,5**	**105.588,0**	**102.723,2**
Surplus (+) or deficit (-)	**West**	**- 863,3**	**+19.175,4**	**+21.653,1**	**+15.136,7**	**+19.278,8**	**+16.168,1**	**+11.868,9**	**+16.624,5**
	East	**+ 836,3**	**-20.908,1**	**-35.494,1**	**-39.562,8**	**-29.485,9**	**-23.077,9**	**-25.632,1**	**-26.199,1**
	Total	**- 27,0**	**- 1.732,7**	**-13.841,0**	**-24.426,1**	**-10.207,1**	**- 6.909,8**	**-13.763,2**	**- 9.574,5**

Information provided on expenditures from the national budget

		1990	1991	1992	1993	1994	1995	1996	1997
Unemployment assistance	West	7.586,9	6.863,5	7.617,3	10.317,3	12.374,2	14.739,7	17.432,9	19.572,8
	East		271,3	1.488,5	3.657,8	5.056,9	5.725,9	6.792,0	8.425,2
	Total	7.586,9	7.134,8	9.105,8	13.975,1	17.431,1	20.465,6	24.224,9	27.998,0
Integration assistance	West	X	X	X	754,4	994,2	905,8	763,1	671,6
	East	X	X	X	108,9	156,7	141,2	193,5	185,8
	Total	X	X	X	863,3	1.150,9	1.047,0	956,6	857,4

Source: Bundesanstalt für Arbeit; IAB calculations

Table 11: Relief for the Labour Market Provided by the Bundesanstalt für Arbeit's Labour Market Policy Measures in Eastern Germany

in 1,000 persons

	1990	1991	1992	1993	1994	1995	1996	1997				1997
	Year	Year	Year	Year	Year	Year	Year	1. Qu.	2. Qu.	3. Qu.	4. Qu.	Year
A. Type of spending												
Short time work allowances	758	1616	370	181	97	71	71	74	56	34	34	50
Subs. bad weather/winter etc. 1)	-	3	6	18	9	16	3	1	-	-	0	0
Job creating measures	3	183	388	260	281	312	278	242	242	231	223	235
General ABM 2)	3	183	388	238	193	206	191	179	177	150	112	154
Structural adapt. meas. 3)	0	0	0	22	88	107	86	63	65	81	111	80
Excl. wage subs. for priv. firms	0	0	0	0	0	0	0	63	65	64	63	64
Incl. wage subs. for priv. firms	0	0	0	0	0	0	0	0	0	16	48	16
Fulltime training/retraining 4)	7	169	425	345	241	243	230	218	190	157	144	177
Rehabilitation 5)	0	1	4	5	4	4	5	6	6	5	6	6
Pers. attending language courses	0	0	3	6	7	7	8	10	10	9	8	9
Early retirement paym. 6)	180	365	295	214	126	33	0	0	0	0	0	0
Retirement trans.paym. 7)	10	189	516	639	524	341	186	101	71	43	19	58
Part-time for senior workers	0	0	0	0	0	0	0	0	1	1	1	1
Sub-total	**958**	**2526**	**2007**	**1668**	**1289**	**1028**	**780**	**652**	**576**	**481**	**435**	**536**
In addition: pers. subs.acc §428 Soc.CIII 8)	0	0	1	1	2	7	30	60	73	87	97	79
Total	**958**	**2526**	**2008**	**1669**	**1291**	**1034**	**810**	**712**	**649**	**567**	**533**	**615**
B. Equivalent in employment												
Short time work allowances	341	898	194	85	46	40	38	39	27	18	17	25
Subs. bad weather/winter etc. 1)	-	2	4	12	6	11	3	1	-	-	0	0
Job creating measures	5	257	543	365	379	419	380	331	330	292	239	298
General ABM 2)	5	257	543	334	257	270	259	242	239	202	151	209
Federation's ABM stabil.progr.	0	0	0	41	0	0	0	0	0	0	0	0
Structural adapt. meas. 3)	0	0	0	31	123	149	121	89	91	90	88	89
Excl. wage subs. for priv. firms	0	0	0	31	123	149	121	89	91	90	88	89
Incl. wage subs. for priv. firms	.	.	.	.	.	.	.	.	.	.	.	.
Fulltime training/retraining 4)	7	169	425	345	241	243	230	218	190	157	144	177
Rehabilitation 5)	0	1	4	5	4	4	5	6	6	5	6	6
Pers. attending language courses	0	0	3	6	7	7	8	10	10	9	8	9
Early retirement paym. 6)	180	365	295	214	126	33	0	0	0	0	0	0
Retirement trans.paym. 7)	10	189	516	639	524	341	186	101	71	43	19	58
Part-time for senior workers	0	0	0	0	0	0	0	0	0	0	1	0
Sub-total	**543**	**1881**	**1984**	**1671**	**1334**	**1097**	**850**	**705**	**635**	**525**	**435**	**575**
In addition: pers. subs.acc §428 Soc.CIII 8)	0	0	1	1	2	7	30	60	73	87	97	79
Total	**543**	**1881**	**1985**	**1672**	**1336**	**1104**	**879**	**765**	**708**	**612**	**532**	**654**
C. Relief for unemployment figures												
Short time work allowances	341	898	189	75	39	30	29	28	20	13	13	19
Subs. bad weather/winter etc. 1)	-	2	4	12	6	11	3	1	-	-	0	0
Job creating measures	5	257	540	353	363	392	355	308	307	272	222	277
General ABM 2)	5	257	540	323	246	253	242	226	223	189	141	195
Federation's ABM stabil.progr.	0	0	0	40	0	0	0	0	0	0	0	0
Structural adapt. meas. 3)	0	0	0	30	117	138	112	82	84	83	82	83
Excl. wage subs. for priv. firms	0	0	0	30	117	138	112	82	84	83	82	83
Incl. wage subs. for priv. firms	.	.	.	.	.	.	.	.	.	.	.	.
Fulltime training/retraining 4)	7	169	425	339	238	241	227	215	188	155	143	175
Rehabilitation 5)	0	1	4	4	3	4	5	5	5	5	5	5
Pers. attending language courses	0	0	3	6	7	7	8	10	10	9	8	9
Early retirement paym. 6)	180	365	295	214	126	33	0	0	0	0	0	0
Retirement trans.paym. 7)	10	189	516	639	524	341	186	101	71	43	19	58
Part-time for senior workers	0	0	0	0	0	0	0	0	0	0	1	0
Sub-total	**543**	**1881**	**1976**	**1643**	**1307**	**1057**	**812**	**669**	**602**	**498**	**412**	**545**
In addition: pers. subs.acc §428 Soc.CIII 8)	0	0	1	1	2	7	30	60	73	87	97	79
Total	**543**	**1881**	**1976**	**1644**	**1309**	**1064**	**842**	**729**	**675**	**585**	**509**	**624**

1) Bad weather allowance until 1995, after 1996 winter-time compensation under § 81 ff AFG.
Based on the work lost due to weather conditions as reported by the companies the corresponding number of 'fulltime employees' is computed.
There is no statistical proof for the spending expressed by the average number of construction workers
2) General measures for job creation; in 1993 including the federation's ABM stablisation programme
3) §§ 272-279, 415 SGB III up to end of 1997 productive labour promotion (wage cost subsidies) acc.§ 249 h AFG.
Currently wage cost subsidies for private firms cannot be quantified.
4) Without adaptation; up to 1992 various schemes to improve opportunities for placement (§ 41 a AFG).
5) Persons in rehabilitation in vocational promotion schemes to reintegrate them into the labour market and in vocational further training schemes
6) The funds for early retirement payments for the east are provided by the federal budget
7) Including the recipients to be funded with federal money
8) Recipients of Alg, Alhi, Egg and Eghi 58 years and older not available for placement (until end of 1997 §105c AFG).
Source: Bundesanstalt für Arbeit; IAB calculations

Table 12: Relief for the Labour Market Provided by the Bundesanstalt für Arbeit's Labour Market Policy Measures in Western Germany

in 1,000 persons

	1990	1991	1992	1993	1994	1995	1996	1997				1997
	Year	Year	Year	Year	Year	Year	Year	1. Qu.	2. Qu.	3. Qu.	4. Qu.	Year
A. Type of spending												
Short time work allowances	56	145	283	767	275	128	206	229	141	77	87	133
Subs. bad weather/winter etc. 1)	41	47	41	54	30	44	7	8	-	-	3	3
Job creating measures	83	83	78	51	58	72	76	71	71	67	63	68
General ABM 2)	83	83	78	51	58	70	70	63	62	58	54	59
Structural adaptation measures 3)	0	0	0	0	0	2	6	8	8	9	9	8
Fulltime training/retraining 4)	215	237	250	238	226	257	276	244	235	206	207	223
Rehabilitation 5)	43	49	55	54	40	38	39	38	38	35	35	37
Pers. attending language courses	110	76	51	55	50	46	42	35	35	33	31	33
Early retirement paym. 6)	36	23	12	6	3	1	0	0	0	0	0	0
Retirement trans.paym. 7)	0	0	1	2	3	2	2	2	2	1	1	1
Part-time for senior workers	0	0	0	0	0	0	0	1	1	2	3	2
Sub-total	**584**	**659**	**771**	**1226**	**684**	**587**	**648**	**627**	**522**	**421**	**430**	**500**
In addition: pers. subs.acc §428 Soc.CIII 8)	63	63	82	127	139	146	139	134	131	129	125	130
Total	**648**	**722**	**854**	**1353**	**823**	**733**	**787**	**762**	**653**	**550**	**554**	**630**
B. Equivalent in employment												
Short time work allowances	20	43	88	228	89	48	74	97	55	32	36	55
Subs. bad weather/winter etc. 1)	27	31	27	36	20	29	7	8	-	-	3	3
Job creating measures	117	116	109	71	81	100	106	99	98	93	87	94
General ABM 2)	117	116	109	71	81	98	97	88	86	81	75	82
Federation's ABM stabil.progr.	0	0	0	9	0	0	0	0	0	0	0	0
Structural adaptation measures 3)	0	0	0	0	0	2	9	11	12	12	13	12
Fulltime training/retraining 4)	215	237	250	238	226	257	276	244	235	206	207	223
Rehabilitation 5)	43	49	55	54	40	38	39	38	38	35	35	37
Pers. attending language courses	110	76	51	55	50	46	42	35	35	33	31	33
Early retirement paym. 6)	36	23	12	6	3	1	0	0	0	0	0	0
Retirement trans.paym. 7)	0	0	1	2	3	2	2	2	2	1	1	1
Part-time for senior workers	0	0	0	0	0	0	0	0	1	1	2	1
Sub-total	**568**	**574**	**594**	**689**	**511**	**521**	**546**	**524**	**463**	**401**	**401**	**447**
In addition: pers. subs.acc §428 Soc.CIII 8)	63	63	82	127	139	146	139	134	131	129	125	130
Total	**631**	**638**	**676**	**816**	**650**	**667**	**685**	**658**	**594**	**529**	**525**	**577**
C. Relief for unemployment figures												
Short time work allowances	13	29	59	152	60	32	50	65	36	21	24	37
Subs. bad weather/winter etc. 1)	27	31	27	36	20	29	7	8	-	-	3	3
Job creating measures	106	105	99	64	73	91	96	90	89	84	79	85
General ABM 2)	106	105	99	64	73	89	88	80	78	73	68	75
Federation's ABM stabil.progr.	0	0	0	9	0	0	0	0	0	0	0	0
Structural adaptation measures 3)	0	0	0	0	0	2	8	10	11	11	11	11
Fulltime training/retraining 4)	191	210	220	207	203	245	267	235	227	199	200	215
Rehabilitation 5)	33	37	42	41	31	30	31	31	30	28	29	30
Pers. attending language courses	110	76	51	55	50	46	42	35	35	33	31	33
Early retirement paym. 6)	36	23	12	6	3	1	0	0	0	0	0	0
Retirement trans.paym. 7)	0	0	1	2	3	2	2	2	2	1	1	1
Part-time for senior workers	0	0	0	0	0	0	0	0	1	1	2	1
Sub-total	**517**	**511**	**512**	**564**	**443**	**476**	**495**	**466**	**420**	**368**	**367**	**405**
In addition: pers. subs.acc §428 Soc.CIII 8)	63	63	82	127	139	146	139	134	131	129	125	130
Total	**580**	**574**	**594**	**691**	**582**	**622**	**634**	**601**	**552**	**496**	**492**	**535**

1) Bad weather allowance until 1995, after 1996 winter-time compensation under § 81 ff AFG.
Based on the work lost due to weather conditions as reported by the companies the corresponding number of 'fulltime employees' is computed.
There is no statistical proof for the spending expressed by the average number of construction workers
2) General measures for job creation; in 1993 including the federation's ABM stablisation programme
3) §§ 272-279, 415 SGB III up to end of 1997 productive labour promotion (wage cost subsidies) acc.§ 249 h AFG.
Currently wage cost subsidies for private firms cannot be quantified.
4) Without adaptation; up to 1992 various schemes to improve opportunities for placement (§ 41 a AFG).
5) Persons in rehabilitation in vocational promotion schemes to reintegrate them into the labour market and in vocational further training schemes
6) The funds for early retirement payments for the east are provided by the federal budget
7) Including the recipients to be funded with federal money
8) Recipients of Alg, Alhi, Egg and Eghi 58 years and older not available for placement (until end of 1997 §105c AFG).

Source: Bundesanstalt für Arbeit; IAB calculations

Table 13: Total Cost of Unemployment for Public Budgets

Expenditures/Reduced income		West Germany				East Germany				Germany
		For recipients of		For unempl. persons not rec. benefits	For unempl. persons 1) on average	For recipients of		For unempl. persons not rec. benefits	For unempl. persons 1) on average	For unempl. persons 1) on average
		Unemployment benefits (Alg)	Unemployment assistance (Alhi)			Unemployment benefits (Alg)	Unemployment assistance (Alhi)			
1996 (absolute figures)										
Total	**DM bn**	64,0	29,7	23,2	**118,0**	25,9	11,7	2,9	**40,9**	**158,9**
Per person and year	**DM**	49.072	39.648	32.635	**42.204**	37.923	33.083	23.987	**34.985**	**40.076**
of these:										
Exp. unempl. benefit/assist.	**DM**	30.002	23.243	.	**20.479**	24.124	19.154	.	**20.082**	**20.362**
- payments Alg/Alhi	"	17.754	12.920	.	11.889	14.502	10.574	.	11.784	11.858
- contrib. to Pension fund	"	7.034	5.848	.	4.908	5.493	4.844	.	4.719	4.853
- contrib. to health insurance fund	"	4.756	4.084	.	3.358	3.771	3.413	.	3.268	3.332
- contrib. to nursing insurance	"	458	391	.	323	358	323	.	310	319
Social expenditures	**DM**	235	1.041	9.145	**2.718**	204	814	5.584	**956**	**2.199**
- Welfare payments	"	187	832	7.317	2.175	163	650	4.468	765	1.759
- Rent subsidies	"	47	209	1.828	544	41	163	1.116	192	440
Reduced tax revenue	**DM**	10.271	8.351	7.881	**9.109**	7.105	7.428	6.319	**7.120**	**8.523**
- Income tax	"	9.138	7.256	6.501	7.928	6.097	6.435	4.862	6.071	7.381
- Indirect taxes	"	1.132	1.095	1.380	1.181	1.007	993	1.457	1.049	1.142
Reduced revenue in soc. sec. cont	**DM**	8.565	7.013	15.610	**9.898**	6.490	5.688	12.084	**6.827**	**8.993**
- Pen. fund (balance)	"	2.845	2.381	7.409	3.867	2.173	1.945	5.750	2.478	3.457
- Health ins. fund (balance)	"	2.139	1.659	5.171	2.766	1.540	1.290	3.983	1.717	2.457
- Nursing ins. (balance)	"	237	187	521	294	181	155	404	196	265
- Bundesanstalt für Arbeit	"	3.345	2.786	2.508	2.971	2.595	2.298	1.947	2.436	2.813
Bundesanstalt für Arbeit	DM	33.347	2.786	2.508	16.967	26.720	2.298	1.947	16.556	16.846
Federation	DM	4.700	27.198	4.643	10.951	3.317	22.665	3.645	9.372	10.485
Federal Laender	"	4.247	3.517	4.091	3.996	2.914	3.114	3.062	2.991	3.699
Local governments	"	1.558	1.921	8.292	3.364	1.078	1.616	5.197	1.675	2.866
Pension fund	DM	2.845	2.381	7.409	3.867	2.173	1.945	5.750	2.478	3.457
Health insurance fund	"	2.139	1.659	5.171	2.766	1.540	1.290	3.983	1.717	2.457
Old age nursing insurance fund	"	237	187	521	294	181	155	404	196	265

1) Incl. recipients of integration subsidies (Eghi)

Source: IAB calculations (update of IAB-Kurzbericht No. 6 of 11 March 1994)

Table 13 ctd.: Total Cost of Unemployment for Public Budgets

Expenditures/Reduced income		For recipients of Unemployment benefits (Alg)	For recipients of Unemployment assistance (Alhi)	For unempl. persons not rec. benefits	For unempl. persons 1) on average	For recipients of Unemployment benefits (Alg)	For recipients of Unemployment assistance (Alhi)	For unempl. persons not rec. benefits	For unempl. persons 1) on average	For unempl. persons 1) on average
					1996 (structure)					
Total	**Mrd DM**	64,0	29,7	23,2	**118,0**	25,9	11,7	2,9	**40,9**	**158,9**
Per person and year	**DM**	49.072	39.648	32.635	**42.204**	37.923	33.083	23.987	**34.985**	**40.076**
	%	100	100	100	100	100	100	100	100	100
of these:										
Exp. unempl. benefit/assist.	**%**	61,1	58,6	.	**48,5**	63,6	57,9	.	**57,4**	**50,8**
- payments Alg/Alhi	"	36,2	32,6	.	28,2	38,2	32,0	.	33,7	29,6
- contrib. to Pension fund	"	14,3	14,7	.	11,6	14,5	14,6	.	13,5	12,1
- contrib. to health insurance fund	"	9,7	10,3	.	8,0	9,9	10,3	.	9,3	8,3
- contrib. to nursing insurance	"	0,9	1,0	.	0,8	0,9	1,0	.	0,9	0,8
Social expenditures	**%**	0,5	2,6	28,0	**6,4**	0,5	2,5	23,3	**2,7**	**5,5**
- Welfare payments	"	0,4	2,1	22,4	5,2	0,4	2,0	18,6	2,2	4,4
- Rent subsidies	"	0,1	0,5	5,6	1,3	0,1	0,5	4,7	0,5	1,1
Reduced tax revenue	**%**	20,9	21,1	24,1	**21,6**	18,7	22,5	26,3	**20,4**	**21,3**
- Income tax	"	18,6	18,3	19,9	18,8	16,1	19,5	20,3	17,4	18,4
- Indirect taxes	"	2,3	2,8	4,2	2,8	2,7	3,0	6,1	3,0	2,8
Reduced revenue in soc. sec. cont	**%**	17,5	17,7	47,8	**23,5**	17,1	17,2	50,4	**19,5**	**22,4**
- Pen. fund (balance)	"	5,8	6,0	22,7	9,2	5,7	5,9	24,0	7,1	8,6
- health ins. fund (balance)	"	4,4	4,2	15,8	6,6	4,1	3,9	16,6	4,9	6,1
- Nursing ins. (balance)	"	0,5	0,5	1,6	0,7	0,5	0,5	1,7	0,6	0,7
- Bundesanstalt für Arbeit	"	6,8	7,0	7,7	7,0	6,8	6,9	8,1	7,0	7,0
Bundesanstalt für Arbeit	%	68,0	7,0	7,7	40,2	70,5	6,9	8,1	47,3	42,0
Federation	%	9,6	68,6	14,2	25,9	8,7	68,5	15,2	26,8	26,2
Federal Laender	"	8,7	8,9	12,5	9,5	7,7	9,4	12,8	8,5	9,2
Local governments	"	3,2	4,8	25,4	8,0	2,8	4,9	21,7	4,8	7,2
Pension fund	%	5,8	6,0	22,7	9,2	5,7	5,9	24,0	7,1	8,6
Health insurance fund	"	4,4	4,2	15,8	6,6	4,1	3,9	16,6	4,9	6,1
Old age nursing insurance fund	"	0,5	0,5	1,6	0,7	0,5	0,5	1,7	0,6	0,7

1) Incl. recipients of integration subsidies (Eghi)
Source: IAB calculations (update of IAB-Kurzbericht No. 6 of 11 March 1994)

Table 14: Comparison of Total Cost for Public Budgets for ABM vs. Unemployment 1996

	West Germany	East Germany	Germany
	DM per year		
People empl. in ABM (1,000)	**69,5**	**191,5**	**261,0**
Total cost of schemes	**52.808**	**45.749**	**47.629**
Funding by Bundesanstalt für Arbeit	35.198	35.700	35.566
- wage cost subsidies 1)	33.779	34.174	34.069
- loans 2)	37	1	10
- higher subsidies 2)	1.382	1.525	1.487
Funding by Länder 3)	1.382	1.525	1.487
Funding by organizers (wage/ mat. costs) 4)	16.228	8.524	10.576
Totals of lower expen./higher revenue	**46.275**	**38.236**	**40.377**
Total direct effects	**33.669**	**28.424**	**29.821**
Unemployment benefits (net)	3.451	4.338	4.102
Health ins. contrib.	925	1.128	1.074
Pension ins. contrib.	1.367	1.643	1.570
Nursing ins. contrib.	89	107	102
Unemployment assistance (net)	6.959	5.489	5.881
Health ins. contrib.	2.200	1.772	1.886
Pension ins. contrib.	3.150	2.515	2.684
Nursing ins. contrib.	211	167	179
Contributions to BA	2.303	1.950	2.044
Health ins. contrib. (balance)	1.623	1.090	1.232
Pension ins. contrib. (balance)	2.285	1.601	1.783
Health ins. contrib. (balance)	178	130	143
Welfare and rent subsidies	2.002	1.213	1.423
Income tax	5.938	4.280	4.722
Indirect taxes	989	1.001	998
Total indirect effects	**12.606**	**9.811**	**10.556**
Unemployment benefits (net)	1.844	2.141	2.062
Health ins. contrib.	494	557	540
Pension ins. contrib.	731	811	790
Nursing ins. contrib.	48	53	51
Unemployment assistance (net)	969	993	987
Health ins. contrib.	306	321	317
Pension ins. contrib.	438	455	451
Nursing ins. contrib.	29	30	30
Contributions to BA	912	690	749
Health ins. contrib. (balance)	1.080	535	680
Pension ins. contrib. (balance)	1.525	773	973
Nursing ins. contrib. (balance)	112	60	74
Welfare and rent subsidies	1.629	603	876
Income tax	2.351	1.515	1.738
Indirect taxes	137	275	238
Balance 5)	**+ 6.533**	**+ 7.513**	**+ 7.252**
of these:			
Bundesanstalt für Arbeit	+ 23.035	+ 22.282	+ 22.483
Federation	- 18.936	- 15.280	- 16.254
Länder	- 2.842	- 1.502	- 1.859
Local governments	- 4.148	- 2.322	- 2.808
Health insurance fund	- 2.703	- 1.625	- 1.912
Pension insurance fund	- 3.810	- 2.374	- 2.756
Nursing insurance fund	- 291	- 191	- 217
Scheme organizers	+ 16.228	+ 8.524	+ 10.576

1) BA's calculations
2) Ratio of funds for loans or higher subsidies to wage cost subsidies
3) Funding by the Laender in the amount of the higher subsidies paid
4) IAB estimates
5) (+) = Burden, (-) = Relief

Source: IAB calculations

Table 14 ctd.: Comparison of total cost for public budgets for ABM vs. unemployment 1996

	West Germany	East Germany	Germany
	DM per year		

Self-financing ratios 1)

As total cost for public budgets			
Cost of schemes	52.808	45.749	47.629
Lower expenditures and higher revenue			
- Direct (%)	64	62	63
- Total (%)	88	84	85

Bundesanstalt für Arbeit (BA) only			
Cost of schemes	35.198	35.700	35.566
Lower expenditures and higher revenue			
- Direct (%)	23	26	25
- Total (%)	35	38	37

1) Lower expenditures and higher revenue as % of cost of schemes

Source: IAB calculations

Table 15: Comparison of Total Cost for Public Budgets for Further Training vs. Unemployment 1996

	West Germany	East Germany	Germany
	DM per year		
No. of recip. of support paym. (1,000)	**203,6**	**205,0**	**408,6**
Total cost of schemes	**36.506**	**33.736**	**35.116**
- Support payments (Uhg)	15.484	14.283	14.881
- Health insurance contribution	4.133	3.714	3.922
- Pension insurance contribution	5.887	5.379	5.632
- Nursing insurance contribution	392	356	374
- Cost for course etc.	10.611	10.005	10.307
Totals of lower expen./higher revenue	**24.670**	**22.549**	**23.606**
Unemployment benefits (net)	8.378	7.405	7.890
Health insurance contribution	2.245	1.925	2.084
Pension insurance contribution	3.319	2.805	3.061
Nursing insurance contribution	216	183	199
Unemployment assistance (net)	3.763	4.644	4.205
Health insurance contribution	1.190	1.504	1.347
Pension insurance contribution	1.703	2.127	1.916
Nursing insurance contribution	114	142	128
Contributions to BA	0	0	0
Health insurance contribution (balance)	699	284	491
Pension insurance contribution (balance)	864	447	655
Nursing insurance contribution (balance)	62	31	46
Welfare and rent subsidies	1.981	897	1.437
Income tax	0	0	0
Indirect taxes	136	155	146
Balance 1)	**+ 11.836**	**+ 11.187**	**+ 11.510**
of these:			
Bundesanstalt für Arbeit	+ 22.348	+ 21.418	+ 21.881
Federation	- 7.044	- 8.594	- 7.822
Länder	- 220	- 115	- 167
Local governments	- 1.623	- 761	- 1.190
Health insurance fund	- 699	- 284	- 491
Pension insurance fund	- 864	- 447	- 655
Nursing insurance fund	- 62	- 31	- 46

Self-financing ratios

As total cost for public budgets			
Cost	36.506	33.736	35.116
Lower expenditure and higher revenue (%)	68	67	67
Bundesanstalt für Arbeit (BA) only			
Cost	36.506	33.736	35.116
Lower expenditure and higher revenue (%)	39	37	38

1) (+) = Burden, (-) = Relief

Source: IAB calculations

Table 16: Comparison of Distribution of Persons Employed to the Different Fields of Activities. Persons Supported by Job Creation Measures and Schemes According to Section 249h AFG

	Special survey of the job creation measures active in September 1991	**Special survey of the schemes according to section 249h AFG in summer 1994**
	Persons supported in per cent	**Persons supported in per cent**
Infrastructure/restitution with direct impact for the economy	22	44
Environmental improvement, including local government environmental responsibilities	25	14
Infrastructure affecting tourism	6	7
Improvement of villages/urban/residential areas	11	4
Social infrastructure (social services and youth work)	20	18
Other (collective category for non-assignable fields of activity)	16	13
Total	100 (N = 313000)	100 (N = 96159)

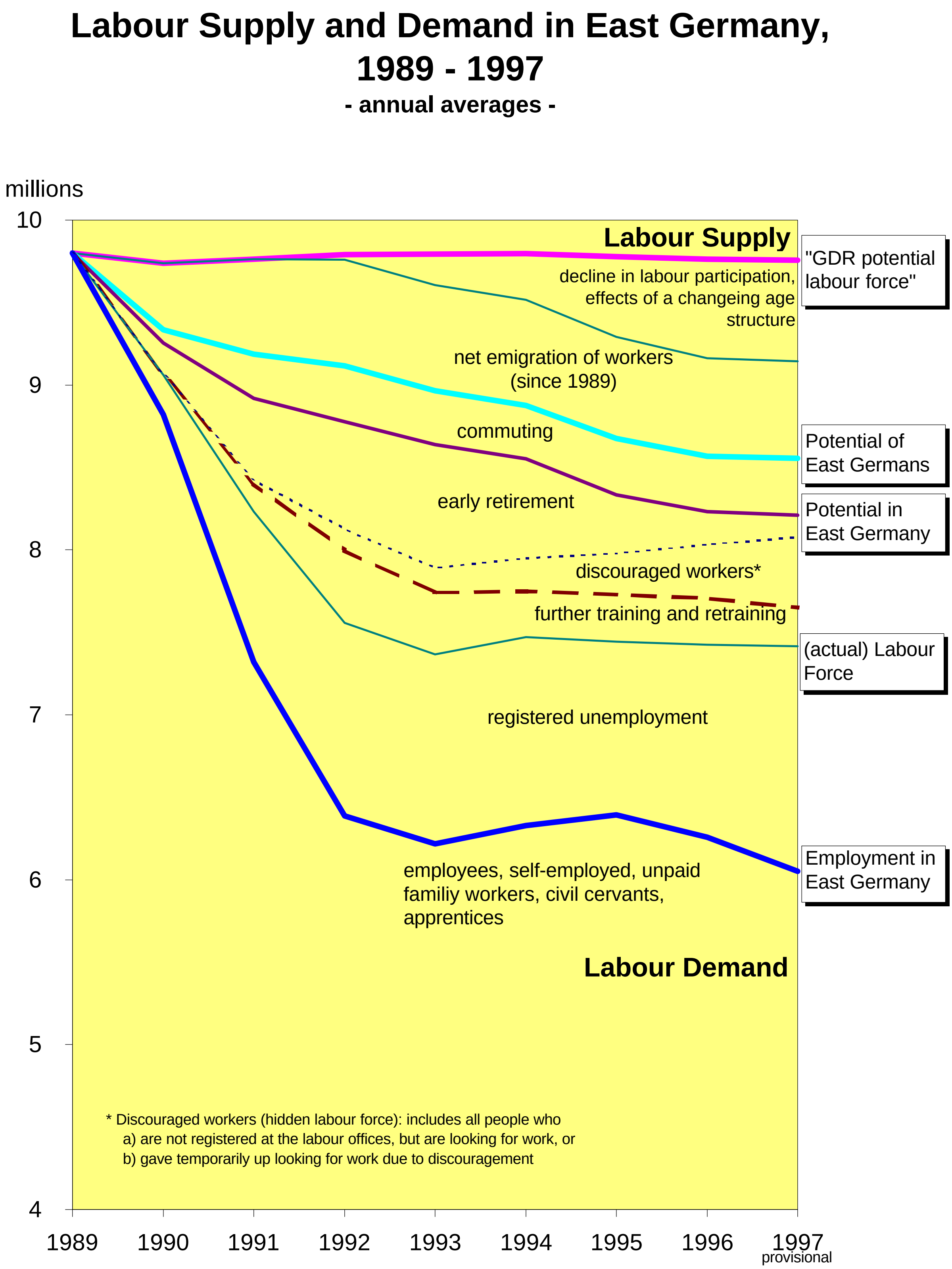
Sources: Spitznagel 1992, Wolfinger 1995

Table 17: Total and Annual Cost per Job in the Schemes According to Section 249h AFG by Fields of Activity, in Per Cent and DM

Share of financing	Environment	Lignite coal Chemistry Metalw./Steel	Social services	Youth work	Total
Wage cost subsidies	28.2	17.2	41.3	38.0	22.1
Funds from the *Länder*	30.8	23.4	43.4	47.2	26.7
Funds from *Treuhandanstalt*	27.1	58.0	0.1	0.2	44.3
Funds from local governments	1.3	0.0	1.3	2.3	0.6
Funds from third parties	2.6	0.0	1.9	3.5	1.0
Own funding of organisiers	10.0	1.5	12.0	8.8	5.2
Total cost in DM	100 1920024820	100 3777883910	100 392274180	100 268172130	100 6349108450
Persons employed	34451	38128	10368	6540	89487
Cost per job in DM	55732	99084	36943	41005	70950

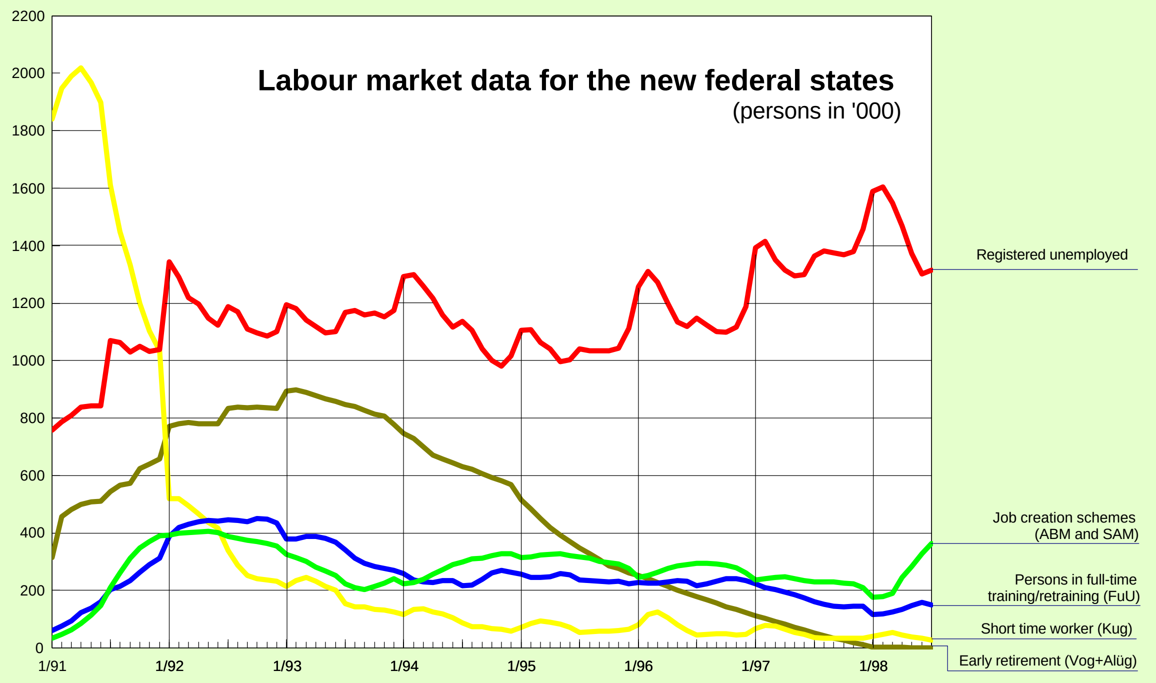
Source: Emmerich/Wolfinger 1995

Figure 1



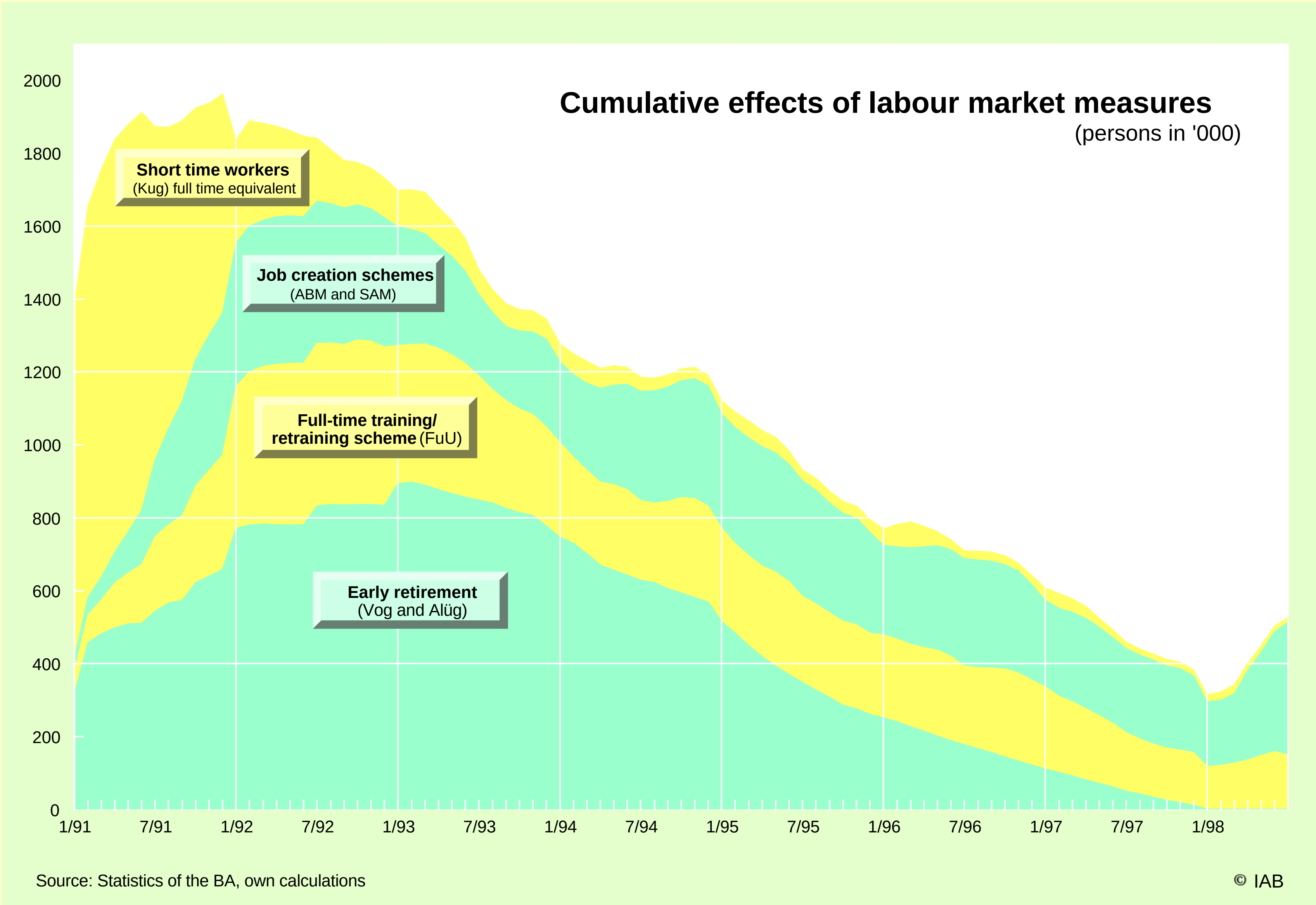
Source: Fuchs 1998 (IABkurzbericht 10, 27.4.1998

Figure 2



Source: Statistics of the BA

Figure 3


Cumulative effects of labour market measures
(persons in '000)
Short time workers
(Kug) full time equivalent
Job creation schemes
(ABM and SAM)
Full-time training/
retraining scheme (FuU)
Early retirement
(Vog and Alüg)
0
200
400
600
800
1000
1200
1400
1600
1800
2000
1/91
7/91
1/92
7/92
1/93
7/93
1/94
7/94
1/95
7/95
1/96
7/96
1/97
7/97
1/98
Source: Statistics of the BA, own calculations
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