

## Impact case study (REF3)

<b>Institution:</b> University of Bristol		
<b>Unit of Assessment:</b> 16 Economics and Econometrics		
<b>Title of case study:</b> University of Bristol research leads to reform of national unemployment policy in Germany		
<b>Period when the underpinning research was undertaken:</b> 05/2015-2018		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b> Gerard van den Berg	<b>Role(s) (e.g. job title):</b> Professor of Economics	<b>Period(s) employed by submitting HEI:</b> 05/2015- 07/2020
<b>Period when the claimed impact occurred:</b> 12/2015-2020		
<b>Is this case study continued from a case study submitted in 2014? N</b>		

## 1. Summary of the impact

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Until 2015, all jobseekers in Germany were legally required to sign 'integration agreements' (IA) – contracts which stipulate jobseekers' rights and obligations in the job search process. Research led by Prof. Gerard van den Berg at the University of Bristol demonstrated that IAs are not beneficial for individuals who have good prospects of becoming re-employed within the short term.

As a direct result of this research, in 2015 the German government swiftly abolished compulsory IAs for jobseekers with good employment prospects. The policy change, which remains in place today, affects up to 1.4 million jobseekers each year. It has led to time savings for the unemployed and employment offices alike, with caseworkers now able to help their clients search more intensively for vacancies. Further, the change has improved the job seeking experience by creating more trusting relationships between jobseekers and their caseworkers.

## 2. Underpinning research

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Integration agreements (IA) play a role in many unemployment insurance (UI) systems around the world. An IA is a mandatory contract between a jobseeker and their employment office which stipulates the jobseeker's rights and obligations in the job search process. It is signed by the jobseeker and their employment office caseworker. IAs are a legal requirement of the job seeking process in Germany and were an important element of the reforms to the country's social insurance and welfare system that took place in the early 2000s. This wider package of reforms has been widely credited as pivotal in the resurgence of the German economy since 2005.

However, there is no clear evidence on the effectiveness of IAs in helping jobseekers re-enter employment. Questions have, thus, been raised over their impacts. For instance, there are concerns that IAs may consume time and energy that could otherwise be used to support jobseekers more intensively in their job search process. Further, they may be a source of friction or annoyance given that they do not represent a mutual agreement between jobseeker and employment agency.

Van den Berg has helped fill in key knowledge gaps by providing valuable evidence on the effects of IAs in Germany. He was asked by the German Federal Employment Agency to assess the effect of IAs on job search outcomes for unemployed individuals. This invitation came thanks to his world-leading reputation in econometrics; in 2009, van den Berg was the first scientist outside of natural and medical sciences (and the only economist until 2013) to receive the highly prestigious Alexander von Humboldt Professorship Prize (i).

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### Do IAs help the unemployed find work? A randomised controlled trial

In collaboration with the German Federal Employment Agency, van den Berg led a research team in the design of a randomised controlled field experiment of 5,300 newly unemployed workers across Germany (3.1, 3.2). He conducted the study in conjunction with the Institute for Employment Research (IAB), an office of the German Federal Employment Agency. The IAB, which has a comparable standing in Germany to that of the Institute for Fiscal Studies (IFS) in the UK, jointly implemented the study with van den Berg's research team in 2013. They trained hundreds of caseworkers throughout the country and set up a digital randomisation tool that randomly assigned jobseekers to one of two IA 'treatments': 1.) signing an IA three months after entering unemployment, or 2.) signing it six months after entering unemployment.

The data from the experiment became available on 15 April 2015. Van den Berg and his team analysed these data during May–July 2015. This critical stage of the research immediately followed his appointment to the University of Bristol on 1 May 2015. The early stages of the investigation – designing and setting up the study – had taken place in Germany whilst van den Berg was employed at the University of Mannheim. He first wrote up his analysis of the trial results in a paper published in 2016 by the IAB (3.2), and later in a working paper, published by the University of Bristol in 2020 (3.1).

The experiment built upon preliminary stages of the project, whereby surveys with caseworkers (conducted 2012–2013) revealed that nearly three-quarters would prefer to decide on a case-by-case basis whether and when to sign an IA. Respondents felt that the associated time savings could be used to help jobseekers search more intensively for vacancies<sup>1</sup>.

Van den Berg designed a novel econometric approach for evaluating the rich administrative and survey data that emerged from the trials. Together with Gesine Stephan (Professor, IAB, Friedrich-Alexander-University Erlangen-Nuremberg), Barbara Hofmann (Postdoctoral Researcher, University of Mannheim and IAB Nuremberg) and Arne Uhlendorff (Postdoctoral researcher, CNRS, CREST, IAB), he compared outcomes for the two different IA treatments one year after each person first entered unemployment. The study also considered the likely employment prospects of the individuals, as judged by their caseworkers, in terms of qualifications, the local job market for their profession and other such influencing factors.

#### 'No significant effect'

The central finding from the analysis was that, overall, IAs had no significant effect on durations of unemployment. However, outcomes varied according to jobseekers' re-employment prospects. IAs had an insignificant effect for individuals who were already considered by their caseworkers to have good prospects of finding work within the short term. The evaluation concluded that IAs do not speed up the re-employment of these individuals, who represented 41% of jobseekers in the study. Conversely, there was a small positive effect for those who signed an IA at three months who were classed as having poorer labour market prospects and who were predicted by their caseworkers to be unemployed for more than six months.

### 3. References to the research

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**3.1 Van den Berg, G.J., B. Hofmann, G. Stephan and A. Uhlendorff (2020),** Mandatory Integration Agreements for Unemployed Job Seekers: a Randomized Controlled Field Experiment in Germany, University of Bristol Working Paper No. 20/734.

[http://www.bristol.ac.uk/efm/media/workingpapers/working\\_papers/pdf/20734b.pdf](http://www.bristol.ac.uk/efm/media/workingpapers/working_papers/pdf/20734b.pdf)

**3.2 Van den Berg, G.J., B. Hofmann, G. Stephan and A. Uhlendorff (2016),** Eingliederungsvereinbarungen in der Arbeitslosenversicherung: Nur ein Teil der Arbeitslosen

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<sup>1</sup> Published in: Van den Berg, G.J., B. Hofmann, G. Stephan and A. Uhlendorff (2014), Eingliederungsvereinbarungen: Vermittlungsfachkräfte halten mehr Spielraum für sinnvoll (*Integration agreements: placement staff consider more flexibility to be useful*), IAB Kurzbericht. <http://doku.iab.de/kurzber/2014/kb2214.pdf>

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protiert von frühen Abschlüssen (*Integration agreements in unemployment insurance: Only some of the unemployed benefit from early agreements*), IAB Kurzbericht, <http://doku.iab.de/kurzber/2016/kb0316.pdf>

### Grant information

- i. **Gerard J. van den Berg.** Alexander von Humboldt Professorship Prize for scientific excellence, Humboldt Foundation (sponsored by the German Federal Government). 2009-2014. EUR3,500,000. (*“Winners of this most highly-endowed research award in Germany are honoured for their outstanding research record and can carry out long-term and groundbreaking research.”* See: <https://www.research-in-germany.org/en/research-funding/funding-programmes/avh-alexander-von-humboldt-professorship.html>)
- ii. **Gerard J. van den Berg.** The Political Economy of Reforms, DFG (German Science Foundation). 2014-2017; approx. EUR300,000 (for the funding of postdoc positions).

## 4. Details of the impact

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On average over 2015, approximately 1,950,000 people, or 4.6% of the labour force<sup>2</sup>, were unemployed in Germany at any one time. Relative to that stock, the flow of people becoming unemployed each month was very substantial, around 250,000 each month, which is the relevant base population for this case. Introduced in the early 2000s in Germany, IAs for the unemployed provide some transparency and are intended to make the job seeking process more efficient and binding. However, previous to van den Berg’s research (3.1, 3.2), it was not *a priori* clear if they also improved the labour market prospects of unemployed individuals.

The research findings provided clear evidence on the effects of IAs for the unemployed in Germany. Notably, they showed that IAs did not speed up re-employment for individuals with good prospects of finding work within the short term. These findings have affected many of these individuals and their employment offices through the abolition of compulsory IAs under certain circumstances as detailed below.

### Abolition of compulsory IAs for jobseekers with good prospects

The study led to a formal and comprehensive change in Germany’s IA policy. Specifically, the German Federal Employment Agency decided that, from December 2015, the use of an IA for a client with good labour market prospects will be at the discretion of their caseworker during the first three months of unemployment (5.2).

The German Federal Employment Agency’s decision to change the IA guidelines was made very quickly after the research team completed the evaluation and communicated its results at a policy meeting (held 21 July 2015) with the German Federal Employment Agency and relevant Ministries. This was thanks to the research team’s internal role within the IAB, and collaborative nature of the work with the Agency, who consequently had high levels of trust in the evaluation’s results and recommendations.

Several official sources confirm this impact of the study on the policy. Official German Federal Employment Agency guidelines regarding the use of IAs, dated 8 December 2015, stipulate this policy change and explicitly refer to the results of the evaluation study as the motivation:

*“The research project on Integration Agreements (IA), about the moment at which IA are signed in Unemployment Insurance, has shown that IAs are generally useful as a policy instrument in job search assistance and advice, but that they fulfil their role better if used in a more flexible way. In particular, among clients with favourable employment prospects, the early usage of an IA is often unnecessary.”* (translation from German) (5.1).

The Director of the IAB, also a member of the board of the German Federal Employment Agency, comments: *“The evaluation study by Van den Berg and Stephan played an essential*

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<sup>2</sup> OECD Labour Force Statistics 2019, Germany, <https://doi.org/10.1787/a4d8a3eb-en>

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*role in the decision to change the policy rules for the Integration Agreements. ... Without their study, it would not have been possible to assess the effectiveness of the policy. ... I can also personally attest to the fact that the study results have been pivotal in motivating the policy change.” (5.2).*

The impact of the study on IA policy is further corroborated in an IAB policy brief (2018): *“In response to the findings of van den Berg et al. (2016) the Federal Employment Agency adjusted their guidelines for dealing with integration agreements in the unemployment insurance system (SGB III). Since December 2015, placement specialists and career counsellors have more discretion in deciding on the date of the initial integration agreement for a sub-section of jobseekers in the jurisdiction of SGB III. This flexibility is based on the idea that the placement specialists can best assess in which cases an immediate integration agreement is required.”* (translation from German) (5.4).

The role of van den Berg’s research is again highlighted in a 2018 report from the German National Audit Office concerning IAs for welfare recipients (5.3). The National Audit Office argue in this report that IA policy usage should account for variations in the labour market, citing van den Berg’s research on IAs for the unemployed (3.2) to build their argument.

IAB conducted a survey with over 2000 randomly selected caseworkers in May 2016, six months after the policy change to explore its implementation (5.5); of this number, 850 responded. Of the 88% of the respondents who were aware of the policy change, approximately two thirds were taking advantage of the additional discretion.

### Benefits to jobseekers and employment offices

The policy change has led to time savings for employment offices and jobseekers alike. Discussing the contents of an IA and signing it usually takes 10 to 15 minutes per client (5.2, 5.5). To put this into perspective, 41% of jobseekers in van den Berg *et al’s* study [3.1] had high employability and the Director of the IAB reports that *“the number of newly unemployed clients with good prospects can be as high as 1.4 million per year”* (5.2). Thus, the overall amount of time saved across the population is considerable. This time saving gives caseworkers more time to devote to helping their clients find vacancies and return to work. IAB’s 2016 survey (5.5) showed that caseworkers used the time savings for several purposes:

- For the consultation (79% of respondents)
- For a more intensive joint job search (66%)
- For documentation and follow-up work (41%)
- For additional conversations (16%)
- For clerical / back office work (31%)

Further, 65% of surveyed caseworkers exploiting the discretion introduced after the policy change said that postponing or discarding IAs had led to a more trusting relationship with the client, primarily because it creates transparency and certainty on both sides (5.5).

### Effects on German policymaking processes

Van den Berg’s study on IAs for UI recipients has changed German policymakers’ approach to using research to inform strategy. It has led to an ongoing research partnership between the government and van den Berg which provides a framework for investigating related policy issues using randomised controlled trials.

IAB’s Director explains: *“After our excellent experience with the “Integration Agreement” experiment, our Institute is strongly supporting the usage of Randomized Controlled Trials for evidence-based policymaking. We are currently conducting a range of successor experiments.”* (5.2). These studies include a randomised controlled trial to investigate the effectiveness of IAs for the long-term unemployed in receipt of welfare (unaffected by the UI policy change in 2015), conducted by van den Berg’s research team and commissioned by the Federal Employment Agency. The Director of the IAB notes of this study: *“The outcomes of this ongoing project will be*

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*of utmost political interest, as several kinds of sanctions are tied to Integration Agreements in the welfare system.” (5.2).*

Further, the German National Audit Office have called for urgent policy change for the long-term unemployed in their 2018 report (5.3) which cites the effects of van den Berg’s UI study (3.2) to help make their case that IA policy usage should account for variations in the labour market. The use of IA policy for long-term unemployed welfare recipients has been under increased scrutiny and highly debated of late following the publication of this National Audit Office report – and its accidental leak to the media. The report highlights concerns surrounding the implementation of IAs for the long-term unemployed.

### 5. Sources to corroborate the impact

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**5.1** German Federal Employment Agency (2015). Weisung 201512003 vom 08.12.2015 – Eingliederungsvereinbarung (EV) – Ermessensspielraum bei marktnahen Kundinnen und Kunden für den Abschluss einer EV. Laufende Nummer: 201512003, Geschäftszeichen: IF 21 – 5400.14 / 6404, Gültig ab: 08.12.2015 (*Directive 201512003 of 08.12.2015 - integration agreement (IA) - discretionary scope for the formation of an IA with customers who are close to the market . Serial number: 201512003, reference number: IF 21 - 5400.14 / 6404, valid from: 08.12.2015*). [Confidential evidence unsubmitted but held by UoB and available for auditing purposes]

**5.2** IAB (2018) Supporting statement - Director of the IAB and member of the board of the German Federal Employment Agency.

**5.3** German National Audit Office (2018) [Unterrichtung an den Vorstand der Bundesagentur für Arbeit über die Abschließende Mitteilung an das Bundesministerium für Arbeit und Soziales über die Prüfung „Inhalt und Nachhaltigkeit von Eingliederungsvereinbarungen bei Jobcentern in gemeinsamer Einrichtung](#) (*Briefing for the board of the Federal Employment Agency concerning the final communication to the Federal Ministry of Labor and Social Affairs of the assessment “Content and implementation of integration agreements at job centres in a joint facility*). See page 9 for reference to study on ‘SGB III’.

**5.4** Van den Berg, G.J., B. Hofmann, P. Ramos Lobato, G. Stephan and A. Uhlendorff (2018), [Arbeitsuche und Beschäftigungserfolg: Aktionspläne zeigen wenig Wirkung](#) (*Job seeking and employment success: Action plans have little impact*), IAB Kurzbericht.

**5.5** Hofmann, B., Stephan, G. and Stöhr, S. (2017). [Die Flexibilisierung des Abschlusszeitpunktes der Eingliederungsvereinbarung im SGB III. Kenntnisnahme, Einsatz und Bewertung durch Fachkräfte in der Arbeitsverwaltung](#) (*The flexibilisation of the date of signing the integration agreement in SGB III. Acknowledgment, use and evaluation by specialists in labour administration*). IAB Forschungsbericht.