

# Editorial



Prof Dr Klaus F. Zimmermann,  
President of the German Institute  
for Economic Research, asks:

'What is the concept of the Hartz  
Commission for reform of the labour  
market really worth?'

*Such stuff as dreams are made on: in a collection of ideas, Peter Hartz, head of the Federal Labour Office's Reform Commission, has summarised this group's important discussions for the general public. The points contained in the paper are innovative enough to attract global attention, yet vague enough not to ruin its chance of general acceptance. It is estimated – in a media-friendly fashion – that, once these proposals have been put in place, unemployment can be at least halved. Not only does this raise high expectations; it also reminds us of the failed promises of two German Chancellors. The calculations offered up to now to underpin this potential for improvement are based, as far as we can discern, on simple suppositions rather than on a scientifically rigorous examination of the proposed measures.*

*The proposals centre around expanding temporary work agencies, increasing the speed of employee placement, and making it easier to be self-employed. The paper provides a wealth of interesting approaches with regard to these points. For example, by means of early (i.e. at the time of dismissal) registration for work, improved assistance and support, and tougher requirements, work is to be found more quickly for the unemployed. Also, the public employment offices' personal service agencies are to take on the role of temporary work agencies and keep a large share of the unemployed in work, free of charge on a trial basis or charging for longer term loan periods, thereby providing their clients with an opportunity of integrating into the formal labour market. Furthermore, 'Me-plc's' are to assist in facilitating self-employment and combating clandestine work. The legal regulations governing temporary employment agencies are to be generally improved, and the reformed employment office is to regard businesses as an important new client group.*

*This all sounds good and is deserving of strong support. However, the paper also indicates the exclusion of some of the really controversial issues that characterise the labour market debate. For example, to date there has been no starting point for a reform of labour market policy instruments, the systematic re-evaluation of labour market policy, targeted support for the low-income sector, reform of wage policy, modifying protection against unfair dismissal, clarity on the reform of the employment services and the necessary reduction of the period of support for older unemployed persons.*

*This lack of clarity begins with the revival of the dream of an omnipotent public employment agency. The reformed body is, rightly, keen to work closely with businesses. Nevertheless, the idea that it would, in the foreseeable future, be in a position to take on blanket coverage of staff management for small companies goes too far. It leads to fears of a new bureaucratic Moloch and the assumption that, despite the reform, it would be an excessive task for the institution to cope with.*

*At the same time, the concept of a personal service agency for temporary employment, with the pressures on all involved, is a courageous and innovative approach. However, the plan to employ as many jobless in the agency as possible, thereby removing them from the unemployment statistics, would be unacceptable. This would only lead to the well-known one-way street known as the public-employment company. Only entry into regular work (and, ultimately, only permanent employment in the formal labour market) can justify such a change in employment status. Moreover, such a public agency should not act as a monopoly; private employment agents must be able to operate in this market as much as possible.*

*Finally, the Hartz paper offers justified reason for the assumption that all unemployed over 55 years old should, because of a lack of employment opportunities or willingness to work, ultimately be excluded from the statistics. However, in view of the long-term necessity to keep older workers employed for longer, this would send out entirely the wrong signal.*

*The 181 employment offices' supervisory powers, which up to until now have been exercised at the Länder level, are in future to be centralised in Nuremberg. Instead of being closed down, however, these Länder-level offices are to be converted into centres of competence for new jobs, market research and 'development aid'. These and other similar suggestions demonstrate a persisting unwillingness to reach clear solutions, especially if these involve a certain level of conflict. Rather, it seems like a somewhat helpless attempt to limit institutional opposition to reform, even at the cost of implausible solutions.*

*It would be illusory to believe that unemployment could be massively reduced solely by strengthening employee placement efforts. An attempt to achieve this by means of a new definition of the term 'unemployment' is dishonest though even if Germany should no longer evade international comparative standards in measuring unemployment. In this regard, the proposed initiatives cannot mark the end of the discussion. Rather, they are the beginning of the further reform debate.*

*The concerns put forward here cannot detract from the Hartz Commission's already emerging contributions in the area of labour market reform, and these proposals must not be talked to death. However, we cannot stop here. Much remains to be done if the solution to the unemployment problem is to be sustainable.*