

From the Hammock onto the Trampoline¹ Workfare Policies in the U.S. and their Reception in Germany*

By Alexander Graser

For a long time now the German labor market has been deep in the throes of a crisis. The search for ways out has become the leading topic of political debate, at the latest since the election year 2002, with the main emphasis centering round concepts for activation programs. These concepts have been under international academic discussion for several years. In some countries they have meanwhile been put into practice, for instance within the scope of the sweeping welfare reform carried out in the United States (U.S.) in the mid-nineties under the slogan "from welfare to work".²

This paper investigates the extent to which these concepts bode hopes for the German labor market. In the process, it highlights the demands placed on such measures in Germany in order to gain public support and compares these with their actual perspectives for success. The examination thereby focuses on a bill introduced by the German state of Hesse³ which was presented to the public under the explicit claim of adopting the reform concept of the U.S. State of Wisconsin. It has been given the promising name "*Offensiv-Gesetz*" (with the German "*Offensiv*" standing for "*Optimales Fördern und Fordern – engagierter Service in Vermittlungsagenturen*", which could be rendered as "Optimum Support and Demands – Committed Services in Employment Agencies").

¹ This metaphor was used for the idea of an activating welfare state by Bodo Hombach, in: *Aufbruch - Die Politik der Neuen Mitte*, 2nd edition, Munich 1998, p. 199.

* The text is based on a paper presented by the author in November 2002 on the occasion of a conference held by the "Frankfurter Sozialrechtsforum" on the subject of "Wege aus der Arbeitslosigkeitsfalle? - Reformbedarf und Reformperspektiven aktivierender Sozialpolitik für Arbeitslose". The contributions to this conference are due to be published later this year, cf. Ingwer Ebsen, (Ed.) "Aktivierende Sozialpolitik. Beiträge zu drei Tagungen des Frankfurter Sozialrechtsforums". The author thanks Esther Ihle from the Max-Planck-Institute for Foreign and International Social Law for the English rendition.

² An overview is provided by Ivar Lødemel/Heather Trickey, "An Offer You Can't Refuse" – Workfare in international perspective, Bristol/GB 2000.

³ Cf. Bundesrats-Drucksache 52/02, dated 23 Jan. 2002.

A. Stories About Job Wonderland

The idea for the draft bill was born in the summer of 2001, when a delegation of the Hessian state government, including its minister-president, visited the State of Wisconsin.⁴ The background is that Hesse and Wisconsin are partner states. Otherwise the common features of the two regions tend to be rather sparse.⁵ Even so, the visit was not merely an expression of political etiquette, but moreover turned out to be an educational trip on the subject of social policy. After all, Wisconsin is regarded as the "showpiece" among all U.S. states in the light of the considerable success its reform of the welfare system achieved after being introduced in the mid-nineties.⁶ And this reform in turn reaped much international acclaim as a prime example of an activating social and labor market policy.⁷

1. The Hessian Wisconsin Saga

No wonder the Hessian delegation was deeply impressed by what they witnessed in the course of their stay. And it was not long before these impressions made the German headlines.⁸ Thus one could read that within only a few years the number of welfare recipients in Wisconsin had been cut by about 80 percent – with the help

⁴ For a comment on this initiative in its early phase, cf. Graser, *Aufgewärmtes aus der Armenküche*, *Blätter für deutsche und internationale Politik* 10/01, p. 1250 ff.

⁵ A brief overview of the economic structure of that region is provided by Wisconsin's department of commerce under <http://commerce.state.wi.us/MT/MT-FAX-0703.html#24>; it not only emphasizes the great abundance of natural resources, as well as the successful agricultural and tourism sectors, but also refers, for instance, to the acclaimed university system and the fast growing services sector – fields that fit less what might be the cliché prevailing in Germany.

⁶ Literature on the Wisconsin model is meanwhile available in vast quantities. For a brief overview from the U.S. perspective, cf. Jason Turner, *Wisconsin Works*, Working Paper No. 75 of the Konrad-Adenauer-Stiftung, June 2002. Details on the reform, in particular its core program "Wisconsin Works" ("W-2"), are best accessed through the Internet on the web site of the Wisconsin Department of Workforce Development (<http://www.dws.state.wi.us>). For a comprehensive evaluation, cf. the report, likewise available on this web site, by the "2001-2002 Joint Legislative Audit Committee" entitled "An Evaluation: Wisconsin Works (W-2) Program", April 2001.

⁷ For an example of the reform's reception in Germany, cf. Uwe Wilke, *Sozialhilfe in den USA, Die Reform in Texas und Wisconsin*, Frankfurt/M. 2002; also cf. Holger Backhaus-Maul (ed.), *Von der Sozialhilfe in die Erwerbsarbeit – Die Welfare Reform in den USA als Vorbild?*, Frankfurt/M. 1999; regarding its standing in the international context, cf. as an example Lodemel/Trickey, note 2.

⁸ From among the daily press reports of the time, cf. Volker Hagemeyer, "Chance aus zweiter Hand", p. 10 of *FAZ* of 8 Aug. 2001; Jonas Viering, "Koch rennt offene Türen ein", p. 7 of *SZ* of 22. Aug. 2001; as well as *ibid.* Wolfgang Koydl, "Vorbild mit Fehlern"; and *ibid.* "Das Arbeitslosengeld senken", Interview with Gert Wagner; Stephan Articus, "Faulenzerei oder falsche Strukturen?", p. 12 of *FAZ* of 22 Aug. 2001; Peter Müller, "Im Land der gnadenlosen Wohltäter", Dossier, pp. 9-12, in: *Die Zeit* No. 36 of 30 Aug. 2001; Waltraud Schelkle, "Wisconsin ist nicht überall", p. 46 of *FAZ* of 3. Sept. 2001.

of stringent employment requirements flanked by extensive placement efforts on the part of exemplary job centers. Hesse's minister-president Roland Koch was quick to join in the national debate on the reform of social assistance. Only shortly before that Chancellor Gerhard Schröder had caused a stir with his remark that nobody had a "right to laziness". Koch picked up the thread and brought out an article in the daily *FAZ* entitled "Welfare is not a Lifestyle"⁹ – a slogan that only a few years before had rendered good services to Bill Clinton in his election campaign.¹⁰ In the column Koch announced that he would have a proposal drafted on the restructuring of German social assistance modeled on the Wisconsin example. The core of the reform would be to bring social assistance recipients into gainful employment – on the one hand, through tougher and more heavily sanctioned employment requirements and, on the other, through increased job offers.

The announcement sounded very enticing indeed. Not only the fabulous success achieved in Wisconsin, but also the thoroughness with which the Hessian government obviously intended to scrutinize this prized model, gave rise to high-flying expectations. And, in fact, when the results were presented a few months later in the form of the above-cited *Offensiv-Gesetz*, they met with a broad favorable response, at any rate within Koch's own Christian Democratic Union (CDU) and its sister party CSU. The draft bill was to become the Union's centerpiece of labor market policy in the 2002 election year and was submitted to the federal legislative procedure as many as three times in the course of that period.¹¹

Upon closer inspection, however, there was every reason to doubt whether the German labor market could actually be revived by the miracle cure from Wisconsin. This becomes clear when one compares the Hessian Wisconsin Saga with another account of this success story as it is more likely to be told in the U.S.

⁹ Cf. *FAZ* of 15 Aug. 2001. Since then this phrase, which obviously seems to be very good publicity, is encountered continually; cf., for instance, the citation by Hessian government spokesman Dirk Metz in: "Wisconsin-Modell soll schnell umgesetzt werden", *FAZ* of 13 Jan. 2003.

¹⁰ For a bibliographical reference to this formula frequently used by Clinton, cf. Manfred Hammel, *Ein Ende des "New Deal" - Die lange Geschichte der Sozialhilfereform*, p. 34 ff., in: Backhaus-Maul, note 7, p. 92, and note 137 cited there.

¹¹ First, cf. Hesse's initiative submitted to the Bundesrat, note 3; subsequently, the initiative of the CDU/CSU faction in the Bundestag, Drucksache 14/8365 of 26 Feb. 2002; and finally, the renewed initiative to the Bundesrat on 1 Nov. 2002, Drucksache 812/02.

II. "The End of Welfare as They Knew It"¹²

Though it may have a long history,¹³ the story really begins in the mid-nineties. At the time, U.S. social policy¹⁴ focused on a certain problem, namely the large number of recipients of a certain government welfare benefit. The bone of contention was the social benefit paid to incomplete families with underage children,¹⁵ the typical recipient being the single, black, herself often underage mother with small children – or in American slang: the "black teenage welfare mom". It was from this environment that numerous social problems were felt to have been emanating for years. These involved:¹⁶

- mothers permanently without perspective and only seldom able to find their way into self-responsible gainful employment;
- neglected children, likewise under way into a welfare career or, worse, one of drug abuse or criminality; and
- out-of-wedlock pregnancies

¹² A widespread slogan under which the U.S. welfare reform of the mid-nineties was propagated by both political camps was: "the end of welfare as we know it"; for further details, cf. Graser, *Dezentrale Wohlfahrtsstaatlichkeit im föderalen Binnenmarkt?*, Berlin 2001, p. 133 (with further substantiation).

¹³ Extensive illustration is provided by Wilke, note 7, p. 21 ff.; Hammel, note 10; particularly from the perspective of Wisconsin, cf. Jason Turner, note 6, pp. 4-6.

¹⁴ The "welfare reform" was one of the central issues in the presidential election campaign in 1996. For more details on the significance of the subject in discussions of the time, see Hammel, note 10, p. 85 ff.; Graser, note 12, pp. 133, 166 ff.

¹⁵ The program was called AFDC (Aid to Families with Dependent Children) and dates back to the time of the New Deal. Under the reform it was renamed and is now entitled TANF (Temporary Assistance for Needy Families); for an outline, cf. Graser, note 12, p. 157 ff. (AFDC), p. 167 ff. (TANF).

¹⁶ Comprehensive empirical material on this subject is found in the so-called Green Books issued by the Committee on Ways and Means of the U.S. House of Representatives. They comprise up-to-date overviews on matters of social policy, which are compiled every two years for the members of Congress. Cf. in particular Green Book 1994, p. 1108 ff.; Green Book 1996, p. 1177 ff.; Green Book 1998, p. 537 ff. An authentic portrayal of the problem from U.S. perspective is delivered by the following citation from Gillespie, Ed/Schellhas, Bob (eds.), *Contract with America: The Bold Plan by Rep. Newt Gingrich, Rep. Dick Armey and the House Republicans to Change the Nation*, New York, 1994, p. 75. The authors begin by citing an often stated objection to the reform and then seek to refute it: "Myth: Cutting off a meager check for a welfare mom will not deter teenage pregnancy. – Fact: Republicans understand one important thing ignored by most Democrats – incentives affect behavior. Currently, the federal government provides young girls the following deal: Have an illegitimate baby and taxpayers will guarantee you cash, food stamps, and medical care, plus a host of other benefits. As long as you don't work, we'll continue giving you benefits worth a minimum of \$12,000 per year ... It's time to change the incentives and make responsible parenthood the norm and not the exception." This view of the problem was by no means confined to political programmatic literature. For an example from academic debate, cf. Brinig, Margaret/Buckley, F.H.: *Welfare Magnets: The Race for the Top*, 5 *Supreme Court Economic Review* 141-177 (1997).

These problems were combated by:¹⁷

- strictly linking this support benefit to the recipient finding employment;
 - establishing childcare facilities, often already for infants because mothers were expected to recommence work soon after giving birth;¹⁸ and
- establishing job centers responsible for placing needy persons in work, if necessary community work for a start. (Before this, relatively little emphasis had been placed on active labor market policy in the U.S.¹⁹)

In giving concrete substance to these measures, the federal states displayed a substantial degree of variation. For, in the U.S., this social policy area is characterized by cooperation between the federal government and the constituent states. Though essentially providing the funding, the federal government merely maps out the rough course; the rest is decided by the individual states.²⁰

The successes of the nationwide welfare reform were imposing. Within only a few years the numbers of recipients of the aforementioned welfare benefit were drastically slashed – above all, as we have seen, in Wisconsin. Yet also in the other federal states 50-70 percent reduction rates were no rare occurrence.²¹ Thus most of the “welfare moms” were able to find jobs. Much of this success was boosted by the fact that over roughly the same time span more than 20 million new jobs were created in the U.S.²²

¹⁷ A detailed depiction of the measures at federal level is provided by Green Book 1998, note 16, p. 397 ff., which also supplies an overview of their further elaboration by the constituent states, p. 514 ff. From among the German-language sources, cf. as an example Hammel, note 10; for particulars on elaboration at individual state level, cf. as an example the study on Texas and Wisconsin by Wilke, note 7.

¹⁸ With reference to the “model state” of Wisconsin, cf. Elvira Giebel-Felten, preface to Jason Turner, note 6, p. 2.

¹⁹ For quantitative substantiation regarding U.S. developments, see Günther Schmid/Bernd Reiser/Gert Bruche, *Unemployment Insurance and Active Labor Market Policy - An international comparison of financing systems*, Detroit 1992, pp. 185, 196, 211. For more recent data, cf. as an example, Christian Schubert, “Mehr Geld für die Armen – und mehr Ungleichheit”, in: *FAZ* of 8 Jan. 2003.

²⁰ Regarding cooperative federalism in U.S. social policy in general and, in particular, with a view to the programs under review here, cf. Graser, note 12, p. 133 ff.

²¹ A comprehensive overview is provided in Green Book 2000, note 16, p. 378 ff. According to calculations set forth there, Wisconsin ranks third behind Idaho and Wyoming with a reduction of nearly 74%.

²² The figure refers to the period between January 1993 and November 1999 and was published by the U.S. Department of Labor under http://www.dol.gov/dol/_sec/public/media/reports/20mill/main.htm.

So much for the alternative rendition of the story. Actually it does not really contradict the Hessian variant – on the contrary, it is similarly uncritical, only perhaps a bit more detailed. And yet even this idealized account already makes clear why the transferability of U.S. mechanisms and experience to the German problem situation is questionable.

After all and for one thing, an utterly different problem was being fought in the U.S. Unlike Germany, mass unemployment was not the issue there, for it did not exist. Rather it was dependence on welfare that was perceived as an evil of its own, as a seedbed of immorality and criminality. Indeed, in Germany such a depiction of the phenomenon of “welfare receipt” is, at least up until now, quite rare.²³

Secondly, the U.S. “welfare” reform was directed toward a very specific target group. It focused on single parents with young children. In U.S. discussions this fact is considered hardly worth mentioning. The groups of indigent persons regarded as meriting financial government support are only few in number anyway, and hence clearly defined.²⁴ Apart from incomplete families, these notably include severely disabled persons and the elderly. Such a form of universal minimum security as our social assistance still represents today is not known in the U.S.²⁵ This is also reflected in everyday language usage in which “welfare” is often taken as a synonym for the family benefits we are talking about here.

Nevertheless, as far as the transfer of American concepts to Germany is concerned, this restriction of the scope of application of the U.S. “welfare” reform is by all means relevant. For it would appear contradictory in Germany to place precisely single parents with children in the focus of activation policy.²⁶ After all, in Germany the government specifically supports the fact that parents themselves raise their children in the early years of development, instead of seeking gainful employment.

²³ For instance, cf. the sources cited above in note 16 (Gillespie und Brinig); for an extensive portrayal of the U.S. discussion, cf. Hammel, note 10, p. 78 ff.; also see the depiction by Graser, note 12, p. 177 ff.

²⁴ For a comparison of the differing perceptions of the problem, cf. Thomas Gebhardt/Herbert Jacobs/Stephan Leibfried, Sozialhilfe und “Globalisierung” – Die nationale politische Thematisierung von Sozialhilfepolitik in Deutschland und den USA, p. 151 ff., in: Backhaus-Maul, note 7.

²⁵ For an overview on the structure of minimum protection benefits in the U.S., cf. Graser, “Job-Wunder” in den USA – Arbeits- und sozialrechtliche Rahmenbedingungen, RIW 2000, 603 ff., 609 f.; in greater detail, *id.*, note 12, p. 150 ff.

²⁶ It is quite another question, though, whether more should be done with regard to childcare arrangements in order to enable single parents to enter the labor market.

And whenever the child-raising benefit, as an instrument of this support, was a subject of recent discussion, a departure from this concept was not the issue. Rather a substantial extension of this support was demanded – in particular on the part of the CDU/CSU.²⁷

Hence we have every reason to doubt whether Wisconsin should serve as a model for the choice of persons to be activated. And if other groups of welfare recipients were to be considered, it is all the more questionable whether U.S. measures and experience would be transferable.

Thirdly, and this is no doubt the most significant distinction vis-à-vis the German situation, those activated in the U.S. were easily absorbed by the labor market – for one thing because the U.S. has a low-wage sector meriting that designation, and for another because an – even for American circumstances – sensational expansion of job offers occurred parallel to the welfare reform. Incidentally, these rosy times seem to be over in the U.S., with unemployment now on the rise again.²⁸ Yet it is still too early to gauge whether “welfare moms” will now be “deactivated” again in greater numbers,²⁹ thus returning to dependence on the welfare system – to the extent that it is still there.

The reference to the American low-wage sector might well serve as an introduction for reverting yet a third time to the story of the U.S. welfare reform. Again it is a version that one could get to hear in the U.S. – albeit less frequently. And again it does not contradict the Hessian rendition, but just adds a few details.

III. Still Poor, But Working Harder

One could begin by telling the anecdote about the waitress who in 1999 – that is, toward the end of President Clinton’s term of office – served at one of his public events. In his address Clinton boasted about his highly successful labor market policy and cited the 20 million new jobs that were created during his presidency. At which the waitress remarked, “...and I have three of them.”

²⁷ Regarding the concept of so-called family allowance, the CDU supplies information in the Internet under <http://www.cdu.de/projekt21/familie/familie.pdf>.

²⁸ Since its low of 3.9% in October 2000, the unemployment rate has been rising at a near continuous pace and was last reported at 6% for December 2002; cf. the web site of the U.S. Department of Labor: <http://www.dol.gov>.

²⁹ Regarding the instability of such low-skill employment relations, cf. a recent study by Pamela Loprest, *Making the Transition from Welfare to Work*, p. 17 ff., in: Alan Weil/Kenneth Finegold, *Welfare Reform – The Next Act*, Washington D.C. 2002, notably p. 22; also see Graser, “Job-Wunder”, note 25, p. 612 (with further substantiation).

Certainly one could argue about how justified the insinuated criticism really is. Many insist that the majority of the new openings were by no means just "hamburger-flipping jobs", but consisted of permanent and well-paid positions.³⁰ Yet in the given context this makes no essential difference, since it is undisputed that so-called "McJobs" exist in the U.S. and that it was this labor market segment that absorbed the activated welfare recipients.

A further self-evident point is that the wages paid in these cheap jobs are so low that in many cases one job does not suffice to cover the cost of living – not even for a single person living alone. If children come into the picture, the problem is naturally compounded. There is sufficient data available to illustrate this.³¹ More staggering, of course, are the concrete descriptions of the circumstances under which the "working poor" make ends meet in perhaps the most prosperous country on earth.³² The impressions conveyed there cannot nearly be rendered in this brief space available. Hence we might leave it at the remark that the living circumstances are significantly below those of social assistance recipients in Germany.

Now one could query – especially in the light of persisting debate in Germany over the proper differential between minimum wages and social assistance – why workfare was able to function in the U.S. notwithstanding. Several answers can be proffered here. First of all, the gap between wages and welfare is often still very wide, given that welfare benefits for incomplete families have always been meager. In most states of the U.S. they are traditionally defined as a percentage³³ of the poverty threshold³⁴, which in turn is set at a level which is relatively low in international perspective.

³⁰ Also cf. the press release by the U.S. Department of Labor, note 22.

³¹ In particular, cf. the data provided by Pamela Loprest, *Families Who Left Welfare: Who Are They And How Are They Doing?*, Discussion Papers 99-02 of the Urban Institute (available under <http://www.newfederalism.urban.org>).

³² In particular, cf. Barbara Ehrenreich, *Nickel and Dime(d): On (Not) Getting By in America*, New York 2001; in German: "Arbeit poor" – *Unterwegs in der Dienstleistungsgesellschaft*, Munich 2001. Also, a significant part of the documentary film by Michael Moore, *Bowling for Columbine*, deals with this subject.

³³ For more details, see Graser, note 25, p. 610 (with further substantiation).

³⁴ Particulars relating to its computation and amount are provided in Green Book 2000 (note 16), p. 1281 f.

The reform tightened the screw even more. Worthy of note in particular is the regulation which stipulates the maximum duration of receipt of the federally subsidized support benefits.³⁵ Thus benefit entitlement ends after a maximum of altogether five years of not necessarily continuous receipt, completely irrespective of whether or not indigence persists. Moreover, this provision is geared to eligible adults, so that not even subsequently born children will alter anything about exclusion from entitlement.

There is yet another likely reason for the widespread success of workfare. Even in the U.S. emphasis was not only placed on the "stick", but also on the "carrot". Meant here are the so-called "negative taxes" through which the federal government subsidizes low incomes. Everyone who works and therefore submits an income tax return is granted Earned Income Tax Credit (EITC).³⁶ The designation suggests a deduction from tax liability, which would naturally be minor, if not to say zero, for low-wage earners. The decisive point, however, is that EITC is refundable – that is, if it exceeds the tax liability it is disbursed to the taxpayer. In the nineties, expenditure on EITC was raised to such a degree that it meanwhile amounts to about 30 billion dollars, and is thus distinctly above federal government spending on the cited family welfare benefits.³⁷ The individual grant may run up to as much as 40 percent of a recipient's earned income, namely in the case of persons with two children and an annual income of just under \$10,000.³⁸

IV. ... and the Moral of the Stories?

Whenever the German public gets to hear about American social policy there is every reason to suspect that this does not occur for the sake of the story itself. Genuine interest in U.S. regional studies no doubt tends to be rare hereabouts. Rather a specific message is usually behind such accounts, and in the case of the

³⁵ For details on this federal regulation, cf. Green Book 1998, note 16, p. 496; a further significant feature is that several constituent states have adopted even stricter regulations on maximum duration of receipt; cf. the overview, *ibid.*, p. 515 ff.

³⁶ Only recently has this central element of U.S. labor market policy, introduced several years ago, found appropriate notice in Germany; for a very recent depiction, cf. above all Bruno Kaltenborn/Lars Pilz, *Kombilöhne im internationalen Vergleich*, IAB Werkstattbericht 10/2002, notably p. 9 ff.; also see Hans-Werner Sinn/Christian Holzner/Wolfgang Meister/Wolfgang Ochel/Martin Werding, *Aktivierende Sozialhilfe – Ein Weg zu mehr Beschäftigung und Wachstum*, ifo Schnelldienst 9/2002, notably pp. 16 ff., 24 f.

³⁷ Regarding the total volume of EITC, cf. Sinn et al., *ibid.*, p. 17 (with figures for 1999). Federal expenditure on the AFDC Program had last risen to about 24 billion dollars in 1996; cf. Graser, note 12, p. 157. Subsequent rises were ruled out with the reform.

³⁸ Cf. Green Book 2000 (note 16), p. 809 (figures for 1999).

Hessian Wisconsin Saga this message has been clear from the outset: "Americans have been highly successful in motivating welfare recipients to work, and we should follow their example."

Indeed, after the success story has been told an additional two times, another more accentuated picture emerges. Under the auspices of a booming labor market, the U.S., and most strikingly Wisconsin, was able to integrate a large proportion of formerly welfare-dependent single mothers with small children into working life. For the mothers this resulted in a transition from welfare benefit to subsidized wage, from a stigmatized, perhaps also paralyzing state of dependence to a less disparaging, yet exhausting low-wage job. Concurrently, families were enabled to rise from deep poverty to a persisting, but milder form of neediness. Notably for the children, this portended a large-scale transfer from parental to State care, about whose concrete form little is said in the U.S. There are indications that this is not a good sign.³⁹

Of course, the stories two and three likewise raise the question of their underlying messages, and once again it is simple to answer: They are supposed to query the first message. Namely, in what way exactly should we copy the Americans? Could we do so in Germany in the first place? And above all, would we want to?

B. Perspectives of Activation Policy in Germany

Let us turn to Germany. What are the framework conditions governing activation policy here? What are its prospects of success?

1. Who Is To Be Activated?

If one wishes to obtain only a rough appraisal of the possibilities for implementing an activation scheme here, one cannot avoid taking a look first at the composition

³⁹ For an initial brief overview on the childcare situation in the U.S., cf. Uwe Wilke, note 7, p. 57 ff.; a survey on the current state of investigation into the effects of the reform on the living circumstances of the children impacted by it is presented by Martha Zaslow/Kristin Anderson Moore/Kathryn Tout/Juliet P. Scarpa/Sharon Vandivere: *How Are Children Faring under Welfare Reform?*, p. 79 ff., in: Weil/Finegold, note 29; explicit reference is made there to the fact that the status of investigation, notably as regards smaller children, is highly deficient (p. 98). The little information available sounds alarming. Thus the results of a survey published in 1999 show that 40% of the activated former welfare recipients were not successful in making sufficient arrangements for the care of their children; cf. Loprest, note 31. Beyond this, one must rely on individual case descriptions. An especially oppressive portrayal is given in the above-cited documentary film by Michael Moore (note 32). It includes the story of a six-year-old boy who shot a fellow school-mate. Shortly before, he and his mother, an activated "welfare mom" with two low-paid jobs, had been forced to move out of their old apartment because she could no longer afford the rent.

of the population group that is to be activated.⁴⁰ Of the 2.7 million social assistance recipients in Germany, 1.6 million are of working age. Many of these persons, however, are unlikely to be readily available for activation, either because:

- they are already working or in training (approx. 17 percent);
- or they are tied to the home through their children or their care for elderly relations (likewise 17 percent);
- or they are ill, disabled or incapable of working, or shortly due to retire (again almost as many).

That means some 800,000 persons remain whose activation would not be opposed by any of the impediments covered by these statistics. This is still a considerable number – no question about that. Yet compared to the more than 4 million unemployed it barely comprises a fifth. That underscores the fact that in Germany welfare policy and labor market policy are not one and the same thing, at least not yet.

Of course, one could reflect on whether some of the aforementioned obstacles to activation should be regarded as surmountable. Thus one could apply stricter standards, say, in deciding what illnesses, disabilities or familial care obligations actually preclude gainful employment. Notably this lesson could be learned from our American example, namely that even unmarried mothers of small children can be brought to work – if only this is truly desired.

But precisely that is the question: Do we really want to pay this price for their activation? That is, do we want to pursue this aim with the same rigor demonstrated by the Americans? Public references to Wisconsin might have implied such a tendency. No one, however, has explicitly voiced their support of such action as yet. In so far, it is above all necessary at this point to identify the alternatives. Activation would either demand a degree of social hardship that is unusual for German circumstances, or its prospects of success would be limited. Notwithstanding the many difficulties involved in making precise forecasts – the fabulous success records from the U.S. are clearly beyond the reach of a “softened-up” activation policy that remains true to welfare State traditions.

II. What To Do With Those Who Have Been Activated?

There is yet another factor that essentially limits the possibilities of activation policy in Germany. The German labor market – and this, too, already became clear earlier on – differs substantially from that of the U.S. insofar as, until now, it does not in-

⁴⁰ For precise figures, of which only a rough outline can be presented in the following, cf. the much more detailed information provided by the German Federal Statistical Office – Statistisches Bundesamt, SOZ Bestand 2001, Tabelle E 6.1, “Empfänger(innen) laufender Hilfe zum Lebensunterhalt außerhalb von Einrichtungen”.

clude a comparable low-wage sector.⁴¹ Consequently, even if we were to opt for radical activation, our employment market currently could not absorb the additional job-seekers.⁴² Under these circumstances, what would be the point of dumping people out of the "social hammock" in which some obviously believe them to be lazing? The conditions governing the success of the U.S. workfare policy did not consist solely in the readiness to lash the "whip" against social welfare recipients. They also had to do with the much harsher conditions prevailing in the lower labor market segment and impacting far more people than just those on welfare. The social costs of an activation scheme seeking to emulate the success achieved in the U.S. would therefore go far beyond the above-cited hardships imposed on welfare recipients.

Now one could interject that social hardships connected with the creation of a low-wage sector could be mitigated by relying more strongly on wage subsidization. That, too, is an instrument whose use the U.S. has demonstrated – as we have seen, on a scale that is still completely unthinkable here, despite all discussion about wage subsidies.

III. Wage Subsidies: The Ideal Solution?

Would wage subsidies, then, be the choice activating agent,⁴³ in particular for a State constitutionally bound to be a "social" one? The situation is not quite as clear-cut as that. Too much of the "carrot" is likewise not so easily digestible for the labor market. It threatens to generate competitive distortions, cash-in effects and, in particular, artificial pressure on wages in the lower sector.⁴⁴ Thus it would be all the more worthwhile to take a closer look at the American experience gained with this activating agent, and its potential side-effects. Perhaps in this way the advantages and disadvantages of its possible use in Germany would be easier to appraise. So far, however, interest has focused on the purportedly more straight-forward lessons exemplified by the Wisconsin Saga.

⁴¹ For data on a quantitative comparison of wage differentials in Germany and the U.S., see note 61 below and the attendant remarks.

⁴² Apart from this, some doubt that the German labor market could become much more "absorbing" through the creation of a low-wage sector; cf. note 63 below and the attendant remarks.

⁴³ Thus the underlying tenor of the reform proposal submitted by the ifo Institute (cf. note 36 above).

⁴⁴ For a detailed investigation into these negative effects, see the paper by the executive board (Bundesvorstand) of the largest German labor union *ver.di*, *Aktivieren als Zauberformel – Zur Kritik der ifo-Studie "Aktivierende Sozialhilfe. Ein Weg zu mehr Beschäftigung und Wachstum"*, *Wirtschaftspolitische Informationen*, June 2002, p. 5 ff.

There is yet another consideration which stands in the way of simply taking over this central element of U.S. workfare. That the U.S. has opted so strongly for wage subsidization over the past few years is not least attributable to the fact that cash assistance there has always been restricted to those groups of needy persons deemed "deserving", and, evidently, the willingness to work is a plausible criterion for that. In Germany, by contrast, the starting point is quite another, namely a universal⁴⁵ minimum protection system in the form of social assistance, which is geared solely to neediness and does not in addition require any kind of "welfare worthiness" – however that could be defined. As a result it would scarcely be compatible to concentrate government support on the gainfully employed to the extent that this is done in the U.S.

Moreover, against this background the more recent development in the direction of greater differentiation within German social assistance law appears in a different light. In particular, this development has become manifest in the new "Grundsicherungsgesetz" (Act on Basic Assistance),⁴⁶ which has brought facilitation to older recipients of social assistance and to those with "fully reduced earning capacity" as regards benefit receipt and possible recourse against relatives – without of course altering the benefit itself. Along the same lines is the proposal submitted by the Hartz Commission⁴⁷ which envisages the separate treatment of social assistance recipients who are capable of work and those who are not.⁴⁸ True, nothing actually speaks against treating beneficiaries in keeping with their needs, and thus against standardizing certain groups of recipients to that end. In the long run, however, such an approach of categorizing needy persons could eventually turn into a form of differentiation according to welfare worthiness and ultimately erode the universal character of social assistance. Now one could argue whether such an "Americanization" of public assistance law might even be desirable. In any case, however, a development along these lines should not occur unnoticed.

⁴⁵ On a closer look, however, this "universality" is not that universal after all, as is shown notably by the special regulations governing asylum-seekers under the Law concerning benefits to asylum-seekers – "Asylbewerberleistungsgesetz".

⁴⁶ "Gesetz über eine bedarfsorientierte Grundsicherung im Alter und bei Erwerbsminderung" (Law concerning need-oriented basic protection in old age and in the event of reduced earning capacity) of 26 June 2001, BGBl. I pp. 1310, 1335, as amended by the Law of 27 April 2002 (BGBl. I p. 1462).

⁴⁷ This Commission, named after its Chairman Peter Hartz, was appointed by the federal government to develop reform proposals in some areas of labor market policy.

⁴⁸ Cf. Peter Hartz et al., *Moderne Dienstleistungen am Arbeitsmarkt*, p. 127 ff.

IV. *Interim Conclusions*

Evidently, the potential effects of activation policy will largely depend on the prevailing overall conditions, i.e. on the structure of the "activate-able" population, on the possibilities of absorption at the lower end of the employment market, on the legal background, and not least on the public views reflected in these legal norms. Even our rather sketchy remarks highlighting the framework conditions in Germany have shown that these differ fundamentally from those in the U.S. Against this backdrop it is obvious that the success of a German activation policy will distinctly fall short of American workfare programs, that the social cost of such a strategy would in any case be high, and that, ultimately, the individual activation measures would tend not to be compatible with German values and norms.

This, of course, is not to say that to pursue activation in Germany would *per se* be hopeless, wrong and contrary to the system. The point is rather that we must be made aware of its limitations. In the process, taking a look at the U.S. can certainly be constructive – provided, however, one strives for a thorough reception of the experience gained there, both positive and negative.

C. *Publicity and Reality*

Attention has so far focused on the proclamations and commendations of the *Offensiv-Gesetz*, its concomitant expectations and hopes, and, finally, also the real prospects of activation policy. But what was really laid down in that draft bill? And how did this measure up to its announcements?

I. What You See Is Not Necessarily What You Get

To come to the point right away: Scarcely anything in the draft of the *Offensiv-Gesetz* is genuinely American. If at all, the strong accentuation of a decentralized freedom of experimentation⁴⁹ brings to mind the shifts in federal cooperation that accompanied the U.S. welfare reform.⁵⁰ This, however, is about devolution. It has nothing to do with the notion of activation in the social policy sphere.

Over and above this, should the draft at any stage still have borne some American features, these have meanwhile been washed out past recognition. There is nothing to be found of the draconic sanctions applied in the U.S., although Roland Koch at first threatened to make sharp incisions, going as far as mass accommodation in public housing arrangements.⁵¹ Nor does it say anything about the American focus

⁴⁹ Regarding the clauses pertaining to experimentation in favor of the individual German states, cf. in particular Arts. 1 II, 2 II, and 3 II of the draft.

⁵⁰ Cf. Graser, note 12, p. 166 ff.

⁵¹ Cf. note 9 above.

on single parents. Conversely, the acknowledgment that activation requires an absorptive labor market did in fact find its way into the draft's explanatory notes. Deregulation is needed, can be read there.⁵² Yet this obviously seems to apply only long-term. The draft itself makes no mention of this. Nor does it pay regard to the fact that American workfare policy was coupled to enormous investments in wage subsidization in the form of negative taxation. Although the bill contains a model of wage subsidies,⁵³ neither its nature nor scope bear the least resemblance to the U.S. program. If anything, the "job centers"⁵⁴ come somewhat closer, but primarily because of their designation. The one-stop management in general, and the integrated administration of social assistance and employment promotion benefits in particular, constitute ideas which had been under discussion⁵⁵ and partially even enacted⁵⁶ long before their professed importation from Wisconsin.

In short: The proposals laid down in the *Offensiv* draft tended to be a plausible extrapolation of ongoing debate here, rather than the reception of experience from Wisconsin, much less the U.S. Thus it is no coincidence that political controversy – above all once the *Hartz* Commission's recommendations were published – persistently revolved round the issue of who had been first to formulate the largely identical approaches, and who had merely plagiarized them.

Hence, much as the Hessian government assumed the appearance of having painstakingly studied the foreign model, the social policy of that far-off partner state was in fact never really the issue. "Wisconsin" is simply the label that was supposed to lend a reform proposal that was solid in its craftsmanship and debatable in its substance, but in no way revolutionary, a bit of the radiant image of the robust U.S.

⁵² Cf. substantiation of the draft – Begründung des Entwurfes, sub. A. Allgemeiner Teil.

⁵³ Cf. Art. 2 II Nos. 6, 7 of the draft.

⁵⁴ The draft of the statute itself uses the term "Vermittlungsagenturen" (placement agencies), while the explanatory notes refer to job centers; thus cf. Begründung, sub. A., No. 1; according to more recent press reports, they are meanwhile called "Job-Offensiv-Center" in Hessian "pilot projects"; cf. FAZ of 18 Dec. 2002: "Hessen will schon jetzt Job-Center einrichten".

⁵⁵ For an international overview, cf. Jochen Clasen/Grant Duncan/Tony Eardley/Martin Evans/Pascal Ughetto/Wim van Oorschot/Sharon Wright, *Towards Single Gateways? – A cross-national review of the changing roles of employment offices in seven countries*, ZIAS 2001, p. 43 ff.

⁵⁶ Cf. the provisions under § 421d SGB III (Book III of the German Social Code) as well as under § 18a BSHG (German Federal Social Assistance Act), which were incorporated through the "Gesetz zur Verbesserung der Zusammenarbeit zwischen Arbeitsämtern und Trägern der Sozialhilfe" (Law concerning the improvement of cooperation between employment offices and social assistance authorities) of 20 Nov. 2000, BGBl. I, p. 1590.

labor market, perhaps also something of the aura of American work ethics and reform zeal. In so far, the flashy acronym "*Offensiv*" fitted the picture perfectly.

II. Publicity Effects

There has been recurrent mention of the high social cost that would be incurred if American activation measures were to be adopted in Germany. Against that setting one can be satisfied that the Hessian draft bill turned out to be so moderate and displays nothing of the radicalism of its alleged U.S. ideals. Certainly the announcements had made one expect differently. Yet who was to mind if a – one is almost inclined to say – rather homespun concept was praised somewhat louder than its substance justified? After all, is not "politics" in Germany said to lack power of conveyance? Who would want to blame it for making a go at more professional marketing? Even so, one finds it hard to disregard the rhetoric frills that adorned this initiative.

1. Accusations

In part, this uneasy feeling has to do with the policy field at issue. It has a bitter taste to it if, of all domains, social assistance and unemployment policy are declared the playing field for testing this unusually aggressive form of political marketing. After all, the groups affected belong to the weakest members of society – people who at the moment are needy, who also often lack long-term economic perspective and at any rate are without appropriate political representation. Evidently this makes them ideal scapegoats, as the afore-cited slogans about the "right to laziness" or "social assistance as a lifestyle" illustrate all too clearly.

Yet it is not only these extreme cases. The entire activation rhetoric, in all its shades from populist-polemic to scientific-theoretic, displays the same tendency. It inevitably insinuates the reproach of passivity – what is more, a kind of passivity that is regarded as surmountable and thus quick to be identified as self-inflicted. Such an appraisal may be justified in a considerable number of cases. And if in this way it were accomplished that only a fraction of the above-estimated 800,000 activate-able social assistance recipients were brought back into employment, this would be an undeniable success.

But to create the impression that "activate-ability" were the rule is nonetheless questionable. For in this way the majority of social assistance recipients are unjustly accused of culpable passivity – or simply "work-shyness". No less questionable is the insinuation that activation could solve the problem of mass unemployment. In doing so, social assistance beneficiaries are held responsible for a societal dilemma whose causes are largely beyond their sphere of influence.

2. A Narrowing of Perspectives

It is not only the more or less subtle accusations that place activation policy, particularly its rhetoric, in an unfavorable light. Of greater consequence is the fact that they obviously distract from the more fundamental labor market issues in Germany. One need only look upon the debate of the previous year, the "election year" 2002. The fight against unemployment was in the limelight of public attention like seldom before. In spite of this, the reform debate confined itself to the narrowly limited sub-area of activation and placement,⁵⁷ concentrated on subjects like the reform of the Federal Employment Agency, integrated job centers, reduced benefits and tougher criteria of acceptance. All that may be justified – but it does not create new jobs, at least not on a major scale.

Also the *Hartz* Commission – perceived in public as an attempt by the Schröder government to regain confidence in the face of persisting mass unemployment – was similarly restricted in its mandate.⁵⁸ Symptomatic here were the Commission's efforts to broaden its prescribed course of action, which, measured against the considerable pressure exerted by the problems, was much too narrow. Thus it explicitly "interpreted" its mission as broadly as possible⁵⁹ and extended it to include the development of concepts that went beyond activation measures or improved placement criteria, and were aimed at increasing jobs.⁶⁰ Nevertheless, the Commission could not entirely rid itself of the restrictions in order to develop a comprehensive strategy to combat mass unemployment.

D. Easy and Not So Easy Subjects

What, then, would be the questions – though perhaps less popular – that need answering in order to take up a more extensive fight against unemployment in Germany? A glance across the Atlantic can at any rate supply the keywords.

Mentioned earlier on were the significantly greater wage differentials in the U.S. The 10 percent highest-paid employees in Germany earn 2.3 times as much as the

⁵⁷ This by no means applies only to the draft of the "Offensiv-Gesetz" but equally to the so-called "Job-AQTIV Gesetz" of 10 Dec. 2001, BGBl. I p. 3443, which had been enacted shortly before and had a similar ring to it. For a comprehensive discussion of the new regulations and how they originated, cf. Jürgen Kruse/Irene Zamponi, *Das neue Recht der Arbeitsförderung*, Baden-Baden 2002.

⁵⁸ The mandate is reprinted in Peter Hartz et al., note 48, pp. 12-16.

⁵⁹ Cf. Peter Hartz et al., note 48, Vorwort (Preface), p. 5.

⁶⁰ Cf. Peter Hartz et al., note 48, in particular "Modules" 5, 7, 9 and 12.

10 percent with the lowest pay. In the U.S., this factor is about 4.3.⁶¹ Stronger differentiation, notably at the lower end of the wage scale, would in the eyes of many bring some relief also in Germany.⁶² Others, however, consider the potential for improvements to be small owing to the generally lacking demand for labor in Germany.⁶³

Similarly disputed are the effects of a possible deregulation of labor law.⁶⁴ In the main, the debate focuses on the comparison of protection against dismissal in the two countries – low and flexible there, excessive and obstructive to employment here. Upon closer inspection, however, this contrast is relativized.⁶⁵ The protection level there is commonly underestimated, while it is overestimated here. Be that as it may, the argument of possible over-regulation should not be dismissed all too lightly here. Even if these were largely to be questions of differing perceptions and hence psychology, real effects are not ruled out.

By contrast, the situation regarding non-wage labor costs is much more clear-cut. Hardly anybody denies that their reduction ought to rank among the prime goals of German social policy.⁶⁶ A look to the U.S. underscores this emphatically.

⁶¹ Regarding these figures, cf. Matthew Finkin, *Die Bedeutung des Arbeitsrechts für die Wirtschaftsleistung in Deutschland aus Sicht der USA*, RdA 2002, pp. 333 ff., 335 (with further substantiation).

⁶² For a recent example, see Sinn et al., note 36, p. 49, who over the “medium term” would expect an increase in employment of 6%, or 2.3 million jobs, through the implementation of their pertinent proposal.

⁶³ For a recent example, see Finkin, note 61, p. 343, who in turn refers to a study by Freeman/Schettkat from 2000, who foresee very few job-creating effects through an approximation of German wage differentials to U.S. levels.

⁶⁴ For an up-to-date review of the current state of opinion, see Günther Schmid, *Wege in eine neue Vollbeschäftigung*, Frankfurt/M. 2002, p. 47 ff.

⁶⁵ For instructive comments, cf. Michael Kittner/Thomas Kohler, *Kündigungsschutz in Deutschland und den USA*, BB 2000, Supplement 4 to Issue 13; confirming these views, Finkin, note 61, p. 340; the differences are further relativized, beyond the scope cited in these sources, through the use of experience rating in assessing the employers' contribution under U.S. unemployment insurance, an aspect frequently neglected in labor law literature; for details, cf. Graser, “Experience rating” in *der Arbeitslosenversicherung – Der U.S.-amerikanische Sonderweg beim Schutz bestehender Arbeitsverhältnisse*, ZIAS 1999, p. 48 ff.

⁶⁶ Worthy of note in this context is a recently published study which shows the tax burden in Germany to be quite low by international comparison, whereas the burden of non-wage labor costs is relatively high; cf. SZ of 20 Jan. 2003, pp. 1, 6.

According to estimates, these costs amounted to nearly 45 percent in Germany in 1999, whereas they were only just under 28 percent in the U.S.⁶⁷ The disparity is even more drastic if one considers that the preponderant part of the non-wage labor costs included in this comparison are not prescribed by law in the U.S. These above all concern the costs of occupational health insurance and supplementary pension schemes. Indeed, in larger enterprises and for well-paid employees this kind of coverage tends to be the rule.⁶⁸ The decisive criterion for this context, however, is that there is basically no statutory compulsion to provide it. Consequently, obstructions to employment are hardly likely to arise therefrom.

On the other hand, the level of social protection in the U.S. is naturally low by comparison. Statutory old-age protection is confined to basic coverage, which is at so low a level⁶⁹ as has not been considered even in pertinent reform proposals in Germany. In the U.S., statutory health insurance of any sort is not provided until retirement age.⁷⁰ The consequence is that at least 30 million Americans are without any form of protection in the event of illness.⁷¹ The list of these examples could be extended for other social security branches.⁷²

If we do not want to accept such conditions here in Germany, our only option is to develop other sources of social security financing, namely such that do not burden the factor labor. Two examples directly come to mind here. One is the so-called "eco tax", whose revenue has already helped to close gaps in the pension fund.⁷³ The other would be the inclusion of investment income in social security funding,

⁶⁷ For a review of current data, see Finkin, note 61, p. 335 f. Finkin bases the figures cited here on a study by the Institut der deutschen Wirtschaft using 1999 data.

⁶⁸ This is also pointed out by Finkin, *ibid.* For detailed data, notably with regard to supplementary pension schemes, see Graser, Gesetzliche Alterssicherung und ihre Reformperspektiven in den USA, p. 263 ff., in: Hans-Joachim Reinhard (ed.), Demographischer Wandel und Alterssicherung – Rentenpolitik in neun Europäischen Ländern und den USA im Vergleich, Baden-Baden 2001.

⁶⁹ Cf. Graser, *ibid.*

⁷⁰ A comprehensive overview is provided by Jürgen Kruse, Das Krankenversicherungssystem der USA – Ursachen seiner Krise und Reformversuche, Baden-Baden 1997.

⁷¹ Cf. *ibid.*, p. 96, regarding this estimate, which even by today's standards must be considered a cautious one.

⁷² Cf. Graser, notes 12, 25.

⁷³ Cf. the "Gesetz zum Einstieg in die ökologische Steuerreform" (Law regulating the start into the ecological tax reform) of 24 March 1999 (BGBl. I p. 378).

as has been demanded repeatedly in the past.⁷⁴ In both cases the difficulties are openly manifest. With the eco tax it is the "unsolidaric" nature inherent in indirect taxes, while the inclusion of investment income incorporates the danger of capital flight, which under the prevailing taxation system already seems hard to bring under control.

The comparison with the U.S. thus raises a host of questions for German labor market policy – questions extending far beyond the sphere of activation. Clear-cut answers are not readily available. It is predictable, however, that every political decision taken on these issues, regardless in what direction, would have to reckon with substantial resistance. The impacted interest groups are sufficiently organized to raise their voices powerfully in the political contest of opinions. Perhaps that explains why, so far, we have heard more about activation and placement than, say, about measures to curtail non-wage labor costs.

Let us end this renewed excursion to the U.S. with a perhaps astonishing detail: In that model of a "slim state" public investments are currently about twice as high as in Germany.⁷⁵ That does not mean, of course, that Germany could vie with the Americans in this respect. After several years of much sounder public budgets, the U.S. is in a better position to afford such spending conduct.⁷⁶ Germany, by contrast, has already exceeded the tolerance margin which has been fixed at European level through the Maastricht criteria. And so, given that this last piece of information again has nothing to do with emulation, with what then?

Perhaps it can serve toward overcoming a further narrowing of perspectives in public debate. Labor market policy is not just social, but also economic policy. This insight is by no means new. And yet the complexity of the relevant dialogues and

⁷⁴ For an example of this demand, cf. this years' expert opinion by the "Sachverständigenrat für die Konzertierte Aktion im Gesundheitswesen", Finanzierung, Nutzenorientierung und Qualität, available in the internet under <http://www.svr-gesundheit.de/gutacht/gutalt/gutaltle.htm>, notably p. 140 ff.; cf. also Andreas Brandhorst, Auswirkungen auf die gesetzliche Krankenversicherung, p. 40 ff. (41), in: Heinrich-Böll-Stiftung (ed.), "Zukunft der Arbeit V – Demographische Entwicklung – Chancen für neue Generationen- und Geschlechterverhältnisse", Dokumentation Nr. 21, Berlin 2002, available in the internet under [\t " _blank.](http://64.4.22.250:88/cgi-bin/linkrd?_lang=DE&lah=2883d8a0e90fba221310ef74bf8b69be&lat=1044303631&hm__action=http%3a%2f%2fwww%2eboell%2ede%2fdownloads%2farbeit%2fZukunftArbeit%2epdf)

⁷⁵ The federal executive board of the labor union *ver.di* also points this out, note 44, p. 12.

⁷⁶ Data on the U.S. federal budget are available under <http://www.whitehouse.gov/omb/budget>; comparative data for the Federal Republic of Germany are presented on the web site of the federal ministry of finance; cf. <http://www.bundesfinanzministerium.de/Finanz-und-Wirtschaftspolitik/Bundeshaushalt-433.htm>.

the specialization of their protagonists could result in this link not always being acknowledged in reform discussions. The consequence could be that in combating unemployment social politicians resort to means – perhaps not rashly, but with a distinctly narrowed field of vision – whose application in the light of a more extensive view might well prove to be ineffective or at least inefficient.⁷⁷ Against this setting, the most recent consolidation of the German federal ministries of labor and of economics appears to be a step in the right direction – provided, of course, it results in boosting not only the economy with the help of labor market policy, but also the labor market with the help of economic policy.

⁷⁷ A possible example here could be the aforementioned problem of wage differentials – that is, if the creation of a low-wage sector were actually decided, but in the end proved those right who considered its potential employment effects in Germany to be minor because a corresponding demand for labor was lacking in the first place.