



ACTIVELY OUT OF THE CRISIS
2010 Annual Report



2010 ANNUAL REPORT

Fifty-Ninth Annual Report of the Federal Employment Agency (Bundesagentur für Arbeit)

In compliance with Section 393 (2) of Book Three of the Social Code, the Executive Board hereby submits the following Annual Report, approved by the Board of Governors, for the period from 1 January to 31 December 2010.*

*Discussions of matters relating to SGB II (Book II of the Social Code) are not subject to approval by the Board of Governors of the BA.

CONTENTS

| | |
|---|-----------|
| Foreword from the Executive Board | 4 |
| Foreword and Report from the Board of Governors | 6 |
| 1. BUSINESS POLICY OBJECTIVES | 10 |
| 1.1. Management and Achievement of Objectives in the Field of Unemployment Insurance | 10 |
| 1.2. Management and Achievement of Objectives in the Field of Basic Benefits | 11 |
| 2. FRAMEWORK CONDITIONS AND RESOURCES | 13 |
| 2.1. The Labour Market on the Rise | 13 |
| 2.2. A Solid Basis for Services | 15 |
| 3. FIRST SERVICE PROVIDER ON THE LABOUR MARKET | 22 |
| 3.1. Informing, Advising and Placing | 22 |
| 3.2. Activating and Promoting | 27 |
| 3.3. Securing Employment, Overcoming Crises | 31 |
| 3.4. Assuring Livelihood, Creating Perspectives | 33 |
| 4. SEIZING IMPULSES, INITIATING INNOVATION | 35 |
| 4.1. Good Ideas Help Progress | 35 |
| 4.2. Further Developing Customer-Oriented Services | 37 |
| 4.3. Further Increasing Efficiency and Effectiveness | 44 |
| 5. THE BA – AN INNOVATIVE EMPLOYER | 49 |
| 5.1. Personnel Policy | 49 |
| 5.2. Introduction of BA-Lernwelt | 50 |
| 5.3. Employee-Oriented Objectives | 50 |
| ANNEX | 51 |
| Corporate Governance Report | 51 |
| Executive Board – Members | 55 |
| Board of Governors – Members | 56 |
| Budget | 59 |
| Statistics on the Labour Market, Employment and Employment Promotion | 60 |

FOREWORD FROM THE EXECUTIVE BOARD

The past year brought a significantly better development of the economy and the labour market than could be hoped for in early 2010. Employment and employment liable to social insurance contributions increased significantly and unemployment is as low as it was in the early 1990ies. The consequences of the economic crisis can sporadically still be felt on the labour market and there are still risks for the economic development. On the whole, the German labour market proved to be robust in the crisis – particularly when compared to many other industrialised countries. The Federal Employment Agency (Bundesagentur für Arbeit – BA) and its labour market instruments were major contributors to this development. The BA's contribution to the public creation of value in its two major fields of activity – unemployment insurance and basic benefits – became visible also in the year following the crisis.

The demand for qualified employees increased significantly due to the swift economic recovery and shortages of particularly wanted experts already became obvious in 2010. The BA assists enterprises in finding staff through swift and tailored placement activities. In order to meet the future demand for skilled workers, the BA has adopted a dual strategy. On the one hand, existing domestic applicant potential must be utilised in an even better and more extensive way. This includes disadvantaged persons, low and unqualified persons, persons with a migration background and also persons re-entering the labour market.

On the other hand, it will not be possible to fill all vacant positions with sufficiently trained employees from within Germany – also due to the demographic change. As a consequence, the issue of controlled immigration of qualified skilled employees from abroad will become more important. The BA will contribute its own initiatives to meet the demand of skilled workers.

In 2010, politics set the course for a further development in terms of content and organisation of basic benefits for job-seekers. With great commitment and deployment of resources, the BA made significant contributions to the reorganisation of institutions in charge of basic benefits and set the stage for the introduction of new standard rates and for the implementation of the project "Bildung und Teilhabe" (education and participation).

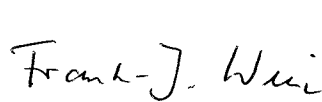
In terms of programme and strategy, the BA will bank on innovations also in the future. Preventive employment promotion is being strengthened even further and internal processes were optimised continuously during the past fiscal year. A pioneering IT strategy which is consistent in itself has been pursued systematically. With the introduction of a consistent resource planning system based on SAP for the BA's financial systems, the comparatively largest conversion process of this kind has been prepared successfully.

The BA has been working consistently on improving and securing the quality of its services. Therefore, the development of a continuous improvement process at the BA as an important public service provider will be pushed on in the new fiscal year.

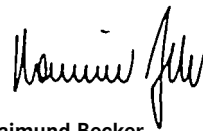
Other developments on the labour market will depend heavily on the commitment, the flexibility and the willingness to perform of all participants. The BA will also make its contribution in the upcoming year!



Heinrich Alt
Head of Basic Benefits



Frank-J. Weise
Chairman of the Executive Board



Raimund Becker
Head of Unemployment Insurance



FOREWORD AND REPORT FROM THE BOARD OF GOVERNORS

The effects of the financial and economic crisis on the labour market were significantly lower than forecast in 2010 due to the joint efforts of economy, social partners and politics. The reforms of the BA, initiated by the Board of Governors and the Executive Board, proved their worth also under difficult conditions. Besides various company initiatives, its is attributable to short-time work in particular that job cuts due to the crisis were limited also in 2010.

In order to use the idle periods during short-time work, qualification offers for the promotion of vocational further training were created. The Board of Governors provided total funds of EUR 100 million in the fiscal year of 2010. Additionally, the European Social Fund provided funds to the amount of EUR 41 million. With the assistance of the Board of Governors, optimal prerequisites were created in the employment agencies for the utilisation of short-time allowance in companies. The good cooperation between employment agencies and companies proved to be a cornerstone for quick and effective countering of the effects of the crisis. Through the joint actions, the trust between the labour market actors has grown – an important basis to meet the challenges of the future.

Sustainable cooperation of all actors on the labour market will also be necessary in the future. A lack of skilled employees threatens to weaken Germany's economic productivity even more severely than temporary crises. Therefore, all available employment potentials must be utilised.

Additional vocational training plays an important role when it comes to more effectively tapping the potential of skilled employees available in Germany. For this reason, the Board of Governors launched an initiative to flank the structural change (IFlaS) in addition to the existing WeGebAU programme (further training of low-skilled workers and older employees in employment). EUR 250 million of funds were released to this end aimed at achieving recognised vocational qualifications or partial qualifications for low-skilled persons. The Board of Governors supports sustainable qualification measures that are to be conducted as closely to enterprises as possible.

Against the background of the demographic development and with a view to securing the supply of skilled employees, we cannot afford to do without the experience of older persons. The Board of Governors sets impulses for the BA and enterprises to increasingly use the potential of older persons e.g. through more intensive placement efforts and the WeGebAU programme.

The BA cannot solve the problem of training school graduates. The BA, however, contributes significantly to supporting young persons in gaining maturity for training by supporting vocational entry guidance and education measures preparing for the vocational entry. This is, however, primarily the duty of schools.

Although the situation of searching for a training position has improved, there are still problems at the transition between school and training. The BA plays an important role in assisting young persons in finding a vocational training position.

The Board of Governors supported early consulting and vocational guidance for students in the last years before school graduation through the employment agencies. It also assisted constructively in the special programme for the promotion of more guidance counsellors for vocational entry exceeding statutory guidance for vocational entry. In 2011, it will increasingly focus on the adaptation of the range of measures for young persons at the transition between school and vocational training.

The Board of Governors considers the exploitation of the full labour market potential of persons with a migration background to be another component essential to overcome future problems on the labour market. Many of these persons work in jobs far below their qualification level although they hold higher professional or academic qualifications. The Board of Governors therefore appealed to political representatives to correct these undesirable developments. The board hence welcomes a legislative project aimed at improving the determination and recognition of vocational qualification obtained abroad and also campaigns for the recognition of non-formalised partial qualifications for this group of persons. Internal BA processes of data entry and skills determination were expanded accordingly at the suggestion of the Board of Governors. Unrecognised school, training, and academic qualifications can since then be earmarked and included into the placement process. In connection with an even better utilisation of domestic potentials, also the question of immigration must be discussed and a culture of welcoming immigrants must be developed.

The Board of Governors and the Executive Board are working towards a continuous improvement of the placement efforts in the employment agencies backed by various concepts. Another important question in this context is whether improved relations of guidance and placement staff to customers have an impact on the effect and efficiency of the BA, and which conclusions can be drawn from this with a view to optimising the placement processes of unemployed persons into employment and for designing cooperations with third parties. Initial findings from current pilot projects in employment agencies show that an improved relation of placement staff to unemployed persons decreases the duration of unemployment.

By approving the 2011 budget, the Board of Governors sent a signal to all employment agencies that effective active labour market policies will by no means fail due to a lack of budget funds. The 2011 budget continues labour market policies at a relatively high level. Particularly qualification is to make a contribution to meeting the demand for skilled employees. It must be considered that unemployment insurance only covers one third of all unemployed persons.

The Board of Governors, however, is worried about the further financial development of the BA. The board believes that it is necessary to mitigate the effects of the crisis on the labour market more strongly using tax funds or a long-term deficit may be looming. The BA runs into the danger that despite the positive situation on the labour market and increasing contributions almost no options will be available to build intervention reserves for periods of crises. The Board of Governors campaigns that staff risks resulting from the reorganisation of basic benefits do not become a burden for unemployment insurance.

The Board of Governors furthermore decided a transfer of excess funds from the apportionment of insolvency payments 2010 to the amount of EUR 1.2 billion to the 2011 budget. The Federal Government determined the 2011 budget without transferring these funds and therefore brought it into effect. Without the transfer of the excess funds, the funds required for the apportionment of insolvency payments were to be financed through contributions to unemployment insurance by employers and employees. This means that through their contributions employers finance the apportionment of insolvency payments for the second time since 2010 and employees for the first time. The Board of Governors took legal action against the determination of the budget.

A new six-year tenure of the Board of Governors started on 1 July 2010. The new members of the Board of Governors were appointed by the Federal Minister for Labour and Social Affairs, Dr. Ursula von der Leyen. The new Board of Governors elected Peter Clever, member of the Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände), chairman and Annelie Buntenbach, member of the federal executive board of the German Federation of Trade Unions (Deutscher Gewerkschaftsbund), vice chairwoman. Both had already been the alternating chairpersons of the old Board of Governors during its preceding six-year tenure. The chair of the Board of Governors rotates regularly on 1 July of each year between the group of employee representatives and the group of employer representatives.



Peter Clever
Chairman of the Board of Governors



Annelie Buntenschach
Deputy chairwoman of the Board of Governors

1. BUSINESS POLICY OBJECTIVES

1.1. Steering and Achievement of Objectives in Unemployment Insurance

Continuity of business policy objectives

The BA identified three major needs for action on the labour and training market: Improving balance, facilitating adaptation and managing transition. Both superior objectives and objectives specific to business fields of the previous years remained valid in 2010.

Achievement of Objectives in Unemployment Insurance 2010

| | Objective | Actual | Achievement | |
|---|-----------|---------|-------------|------|
| | | | Total | in % |
| Integration and granting of benefits UB I and market development for NBR | | | | |
| Duration of unemployment (benefit recipient) in days | 128.0 | 146.6 | 18.6 | 14.5 |
| Duration of unemployment (non-benefit recipient) in days | 93.6 | 97.0 | 3.4 | 3.6 |
| Total rate of integration in % | 42.1 | 46.0 | 3.9 | 9.3 |
| Rate of integration job-to-job in % | 12.3 | 12.8 | 0.5 | 4.1 |
| Number of successfully filled vacancies in % | 394,260 | 478,161 | 83,901 | 21.3 |
| Minimum standard processing unemployment benefit in % | 75.0 | 83.6 | 8.6 | 11.5 |
| Market development for job starters | | | | |
| Rate of entries, SGB III in % | 25.2 | 25.9 | 0.7 | 2.8 |
| Number of successfully filled training vacancies | 90,132 | 95,940 | 5,808 | 6.4 |
| Vocational rehabilitation (SGB III) | | | | |
| Rehabilitation-specific rate of integration in % | 35.8 | 44.2 | 8.4 | 23.5 |
| Duration of unemployment in days | 590.7 | 632.7 | 42.0 | 7.1 |
| Reaching high customer satisfaction in German school grades | | | | |
| Customer satisfaction index employees | 2.3 | 2.2 | -0.1 | -4.3 |
| Customer satisfaction index employers | 2.1 | 2.1 | 0.0 | 0.0 |
| Customer satisfaction quality of employment consulting | 1.9 | 1.9 | 0.0 | 0.0 |

More people found new employment and their period of unemployment was shorter on average

The placement and guidance staff consistently utilised the better economic situation as compared to economic forecasts. Thus, proportionately more laid-off employees could start new employment without interruptions in 2010 than in 2009. If unemployment could not be avoided, the duration of the integration process was kept as short as possible. Approximately 100,000 more unemployed persons could find employment in the regular labour market in 2010 than in 2009. These positive developments were also reflected in the satisfaction of customers from the employee side as well as from the employer side. The already good result improved in both groups of customers to the German school grade 2.1 awarded by employers (previous year 2.2) and 2.2 awarded by employees (previous year 2.3).

Also in the strategic business field of "vocational rehabilitation" steering in 2010 focused on early counselling and integration of participants who successfully completed measures. A positive result in reaching the objective in the "level of integration rehabilitation" emphasises the success of the steering impulses.





The relation between vacancies and applicants on the training market relaxed on the one hand due to more vacancies and on the other hand due to the demographic change. The BA contributes to a balance on the training market through early vocational guidance and the continuous improvement of consulting and placement services and assists those young persons that need special support at the transition to vocational training.

In early 2011, the Federal Government and the BA will conclude an agreement on objectives on the implementation of employment promotion in unemployment insurance.

1.2. Steering and Achievement of Objectives in Basic Benefits

The dynamics of the unexpectedly strong economic upswing could be utilised also within the field of basic benefits.

Achievement of Objectives in Basic Benefits 2010

| | Objective ¹ | Actual | Total | Achievement | |
|---|------------------------|---------|---------|-------------|--|
| | | | | | in % |
| Sum of passive benefits (in million EUR) | 13,939 | 13,374 | -565 | -4.1 |  |
| Integration rate (in %) | 17.0 | 21.0 | 3.9 | |  23.2 |
| Customers with customer contact > 24 months | 892,581 | 882,546 | -10,035 | -1.1 |  |
| Customer satisfaction index (German school grades) ² | 2.59 | 2.56 | -0.02 | -1.0 |  |

Source: Controlling data SGB II of the BA

¹ Ambitious targets (expected values) were determined as target indicators in May

² No expected values were determined for the index of customer satisfaction; therefore, the original target value is indicated

In 2010, steering placed particular focus on the improvement of integration activities. The measures concentrated on both applicant-oriented and employer-oriented placement. Following a slow beginning, which was still related to the effects of the economic crisis but also to the severe winter, integration figures rose significantly from the second quarter onwards. At the end of the year, an integration rate of 21.0 percent was reached, which equals the level from 2008 and is among the highest integration rates since the introduction of basic benefits. The target value was exceeded by almost a quarter (23.2 percent).

*High rate of integration
in basic benefits*

*Improving effects of active
labour market policies*

Based on the good integration result, also the expenditures for passive benefits could be kept significantly below the target value. At the end of the year, expenditures for unemployment benefit II (Arbeitslosengeld II) and social benefit (Sozialgeld) (without contributions to social insurance) were with EUR 13.37 billion even slightly below the level of the previous year (-0.9 percent).

The number of long-term customers (customer contact of more than 24 months' duration) declined further in 2010 (-7.4 percent as compared to 2009), the target value was undercut by 1.1 percent. Also the target for customer satisfaction (average grade 2.59) was reached with a value of 2.56.

All in all, the year 2010 can be seen as a successful entry into a period of economic upswing. In 2011, the results of all target indicators are to be improved on the basis of a target agreement between the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales – BMAS) and the BA. Here, not least reduced financial scopes require a sustainable improvement of effectiveness and efficiency of integration benefits.

2. FRAMEWORK CONDITIONS AND RESOURCES

2.1. The Labour Market on the Rise

Following the crisis year of 2009, the German economy recovered quickly and significantly. As a consequence, also the labour market developed favourably in 2010. Both employment and employment liable to social insurance contributions grew compared to the crisis year of 2009. More than 40 million gainfully employed persons make the highest level since the German reunification, also employment liable to social insurance contributions is at its highest since 2001 with 27.71 million employed persons. In 2010, both part-time employment and, from the middle of the year onwards, also full-time employment grew. The increase in employment included all federal states and almost all industries. Towards the end of the year, the effects of the crisis could basically only still be perceived in the manufacturing industry.

Gainful employment and employment increase

The loss of jobs in the manufacturing industry concerned mainly men. Therefore, the increase in employment by 330,000 in June 2010 included only 44 percent men and 56 percent women. The increase in female employment continued over the last years. The plus in employment is particularly based on the health sector but female employment also grew in other service sectors, especially in part-time. The increase in male employment is mainly based on an increase in economic services, especially in temporary employment.

After there was a significant increase in unemployment in the crisis year of 2009, the number of unemployed persons declined again significantly in 2010. Approximately 3.24 million persons (-5 percent) were unemployed on annual average. The minus could be perceived in almost all federal states, in both legal spheres, and in almost all groups of persons. Especially the dynamic development in the first half of the year led to a significant decrease in seasonally adjusted terms. The unemployment rate (in terms of the total civilian labour force) decreased on annual average by 0.5 percentage points to 7.7 percent and is thus at the same level as in the early 1990ies. In the course of the year, 9.2 million persons reported as unemployed while 9.4 million persons could end their unemployment.

Positive economic development has unemployment decline

The annual average decline in unemployment was slightly stronger in men than in women. The percentage of unemployed men and women remained almost unchanged on annual average with 54 and 46 percent. The unemployment rate among women (7.5 percent) still lies below that of men (7.9 percent).

Considering the positive development, it has to be taken into account that – especially in the first half of the year – short-time work made a considerable contribution to the stabilisation of the labour market. As compared to the previous year, the amount was more than halved with an annual average of 500,000 short-time workers. Among them were more than 430,000 short-time workers due to the economic situation. The number decreased significantly over the year: from 874,000 in January to below 200,000 at the end of the year.

Short-time work decreases

The demand for labour increased remarkably in 2010. The BA's job index (BA-X), an indicator for the demand for labour on the regular labour market, increased continuously and rose from 118 points in the beginning of the year to 155 points

High demand for labour

at the end of the year. On annual average, 359,000 vacant positions were reported to the BA; roughly one fifth more than one year before. In the course of the year, 2.0 million vacancies were reported to the BA. Temporary employment formed a large part of this demand, approximately every third reported vacancy came from this industry.

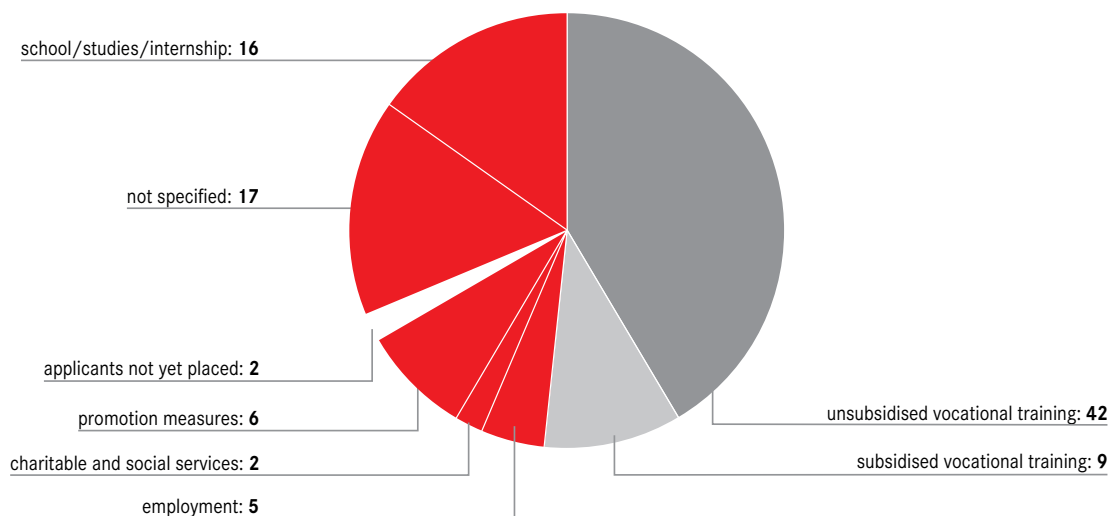
Due to the increased demand for labour, there were first isolated problems in filling positions of particularly sought-after experts in 2010. Especially positions in individual metal-working professions, for electricians, mechanical and electrical engineers, doctors and non-academical health professions as well as for certified elderly care nurses are sometimes hard to fill. A lack of skilled workers in general did not exist in 2010.

*Demographic
development disburdens
training market*

The situation on the training market further improved in 2010, although the total number of reported applicants still exceeded the number of reported vacant training positions significantly. The number of applicants further decreased due to the demographic situation. Despite the difficult economic situation at the beginning of the vocational guidance year, the number of reported vacant vocational training positions increased. A good half of the applicants registered at the BA started vocational training. Nine percent of all applicants started assisted vocational training. Roughly one third went back to school, started studies, employment preparation measures or entry qualifications, decided to do voluntary work, community service, military service or took up gainful employment. Two percent of the registered applicants were still looking for a training position or an alternative at the end of September.

51 percent of registered applicants are in a training relationship

Whereabouts of registered applicants, rates in %; Germany; 30 September 2010



Source: Statistics of the BA

The number of vocational training positions (19,600) that were not filled was above the level of the previous year at the end of September and exceeded the number of applicants without training (12,300). The number of contracts concluded almost reached the level of 2009, that of company contracts was higher than in the previous year.

2.2. A Solid Basis for Services

Staff

To overcome the economic crisis, the 2010 budget created options for temporal work relationships as a preventive measure. The employment agencies handled these additional employment options responsibly and only utilised them to the amount (roughly one third) in which there actually was an increased burden due to the crisis which could be linked to labour market data.

Agencies do not exhaust limitation potentials

Personnel Statistics

Key data from the human resources

Rate of severely disabled persons¹: ~ 8,3 %

Rate of women: ~ 69 %

Part-time rate: ~ 23 %

Jobs for permanent staff and employment possibilities for temporary staff at the BA

| | Total | | Unemployment insurance ² and internal service as well as basic benefits service | | Basic benefits ³ without basic benefits service | | Family benefits office | |
|-----------------|-----------|-----------|--|----------|--|----------|------------------------|---------|
| | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 |
| Total | 108,781.0 | 119,497.0 | 66,261.0 | 70,070.5 | 38,619.5 | 45,413.0 | 3,900.5 | 4,013.5 |
| of this | | | | | | | | |
| employees | 72,934.0 | 75,737.5 | 41,444.5 | 41,320.0 | 28,129.0 | 31,004.0 | 3,360.5 | 3,413.5 |
| civil servants | 19,363.5 | 20,113.5 | 13,584.0 | 13,238.0 | 5,371.5 | 6,407.5 | 408.0 | 468.0 |
| temporary staff | 11,943.5 | 19,416.0 | 6,692.5 | 11,282.5 | 5,119.0 | 8,001.5 | 132.0 | 132.0 |
| junior staff | 4,540.0 | 4,230.0 | 4,540.0 | 4,230.0 | | | | |

Source: Budget plan of the BA for the years 2009 and 2010

¹ Final value for 2009

² Employment agencies, regional directorates, special offices, and headquarters

³ Joint agencies and agencies with separate duties (core tasks basic benefits) as well as supra-regional tasks of basic benefits

The staff of the joint agencies (Arbeitsgemeinschaften) and employment agencies with separate duties (Arbeitsagenturen mit getrennter Aufgabenwahrnehmung) was further stabilised in the past years (2007: 4,000 positions; 2008: 3,000 positions;

2009 including additional budget due to the economic crisis: 5,800 positions). This stabilisation could be continued with budgeting further 3,900 positions in 2010.

Meanwhile, the percentage of temporary employment contracts of municipal and BA staff together lies at roughly 22 percent. This includes temporary employment relationships established due to special programmes of the Federal Government, such as "Perspektive 50plus" (perspective 50 plus) or "Bürgerarbeit" (citizen work) and temporary employees replacing permanent employees due to parental leave or other long-term absence.

Finances

Unemployment Insurance

*Total deficit of
EUR 8.1 billion*

The financial and economic crisis left significant traces in the budget of the BA in 2010. Due to the improved economic framework conditions and the unexpected robustness of the labour market, the deficit, however, was with EUR 10 billion less than budgeted with EUR 17.9 billion. Nevertheless, the Federal Government had to compensate for the lacking funds at the end of the year with a non-recurring grant to the amount of EUR 5.2 billion. The BA's already shrunk reserves to the amount of EUR 2.0 billion were no longer sufficient to balance the whole deficit. Originally, a grant of EUR 16 billion by the Federal Government was estimated.

Budget results of the BA in 2010

Amounts in billion EUR

| | Nominal 2010 | Actual 2010 | Deviation |
|--|--------------|-------------|-----------|
| Revenues | 36.1 | 37.1 | +0.9 |
| of this contributions | 21.6 | 22.6 | +1.0 |
| contributions by the Federal Government | 7.9 | 7.9 | +0.0 |
| Expenditures | 54.1 | 45.2 | -8.9 |
| of this integration item | 4.3 | 2.9 | -1.4 |
| promotion of vocational training | 1.0 | 0.9 | -0.1 |
| short-time allowance due to the economic situation | 3.1 | 3.1 | +0.0 |
| part-time benefits for older employees | 1.2 | 1.3 | +0.1 |
| integration contribution | 5.4 | 5.3 | -0.1 |
| unemployment benefit I | 22.3 | 16.6 | -5.7 |
| administration SGB III, service SGB II | 5.5 | 5.3 | -0.2 |
| administration SGB II | 2.4 | 2.1 | -0.3 |
| Financing balance | -17.9 | -8.1 | +9.8 |
| Compensation: withdrawal from reserves | 1.9 | 2.9 | +1.0 |
| federal grant | 16.0 | 5.2 | -10.8 |

*Positive economic
development limits
expected lack of funds*

The BA's budgeting was basically based on the Federal Government's assessment of the macroeconomic development. While the Federal Government still expected the annual average of unemployed persons to be 4.10 million in October 2009, it was actually only 3.24 million persons.

Due to the positive economic development that greatly exceeded expectations, a total of roughly EUR 0.9 billion more revenues and also roughly EUR 8.9 billion less expenditures than planned could be recorded. The increase in employment liable to social insurance contributions led to revenues from contributions of a total of roughly EUR 22.6 billion. At the same time, the annual average number of unemployed persons was approximately 850,000 persons less than calculated in the budget, which meant approximately EUR 5.7 billion less expenditures for unemployment benefit.

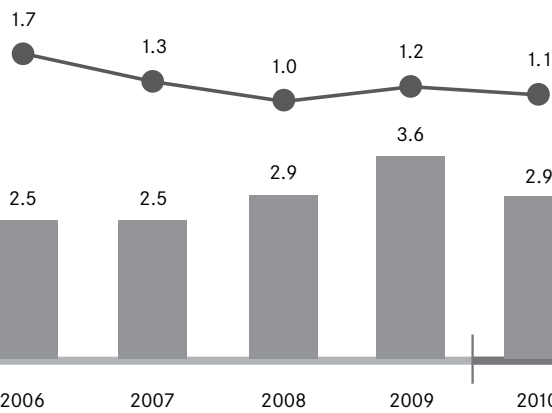
The central objective of the BA's labour market policy is to utilise the available financial resources effectively and economically. With an expenditure volume of altogether EUR 2.9 billion for the instruments of the integration item (Eingliederungstitel) (e.g. qualification measures), continuity at a high level – measured at the customer potential – could be kept and at the same time the structural change could be flanked.

Labour market instruments utilised effectively

Integration item and unemployment within the field of unemployment insurance

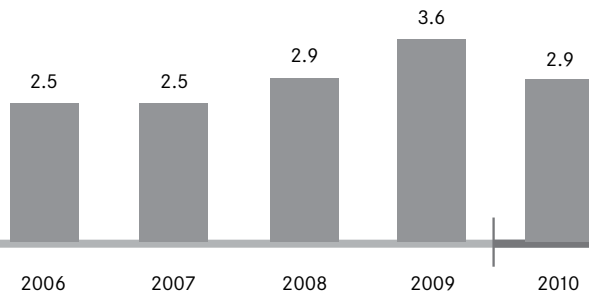
Unemployed persons SGB III

in million persons



Integration item

in billion EUR



Also the promotion of disabled persons to the amount of EUR 2.5 billion and the promotion of employment entry or vocational training to the amount of EUR 1.8 billion show that opportunities are being given on the labour market also for young and disadvantaged persons and that the community of insured persons thus makes a significant financial contribution for the whole society. A persisting additional requirement of funds could be recorded with new entrepreneurs for whom with EUR 1.9 billion approximately EUR 240 million more than planned were spent.

*Budget 2011 characterised
by generally positive
economic development*

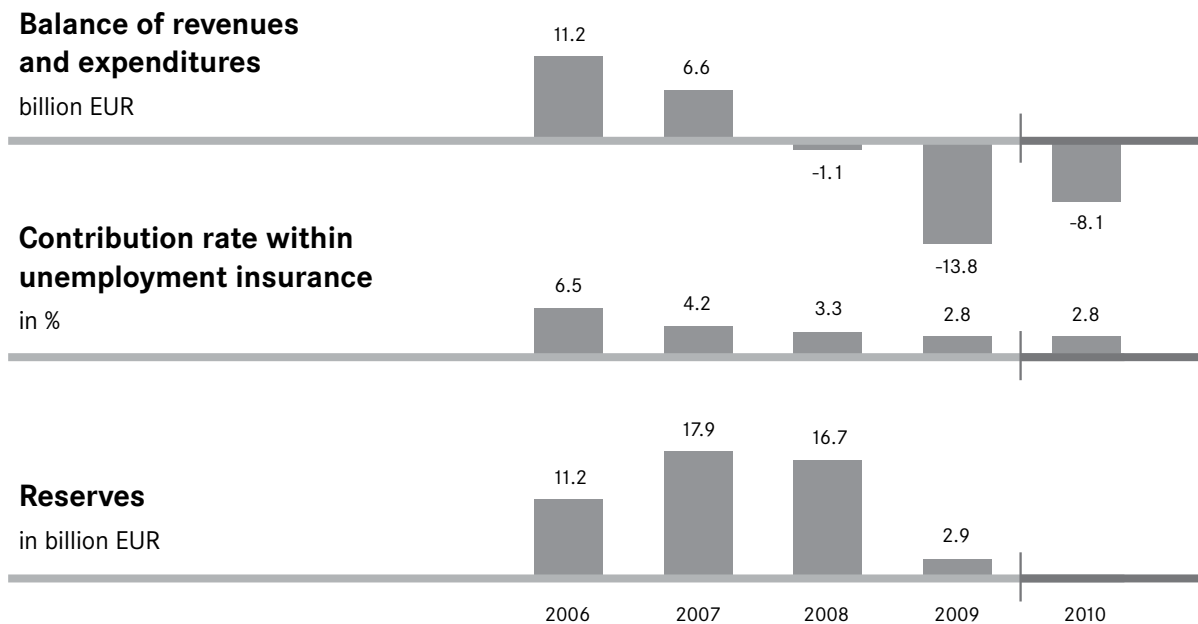
The budget drawn up by the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales) expects a financial deficit of approximately EUR 5.4 billion. After the financial and economic crisis, it is characterised by a generally positive economic development. Besides the demographic development, this will presumably lead to a decrease in the customer potential and disburden the expenditure side. A total of approximately EUR 42.0 billion in expenditures and approximately EUR 36.6 billion revenues are planned. This considers that excess revenues from the apportionment of insolvency payments (approximately EUR 1.2 billion) from 2010 are not transferred to the year 2011. The majority of the institutions of self-governance demanded the transfer during the budget determination 2011, but the Federal Government refused this. There will be legal action in order to resolve this dispute.

The labour market carries risks deriving from general insecurities of the economic development. In particular, the point must remain open which effects the expiring national and international economic stimulus packages and the starting savings packages will have on the export-oriented German economy. In 2011, the planned deficit of the BA is not financed by a federal grant but by a federal loan which must be redeemed with future surplus funds.

*EUR 17 billion
contributions by
contribution payers for
overcoming the
economic crisis*

Since the beginning of the crisis, the community of citizens liable to social insurance contributions has contributed approximately EUR 17 billion from reserves to cope with the effects of the financial and economic crisis and made a significant contribution to the stabilisation of non-wage labour costs. Only the reserves built in 2006 and 2007 allowed a special contribution of the community of citizens liable to social insurance contributions to be used to weaken the largest economic slump in post-war history. Considering the current expenditure and revenue structures, this function is no longer possible. The major challenge of the upcoming budgets will therefore be to cope with medium-term deficient structures.

Development of the BA's finances since 2002



Substantial Expenditures for Tax-Financed Basic Benefits

(Data without Information from the Authorised Local Authorities)

The Federal Government and the BA bear the expenditures of basic benefits for job-seekers capable of work (including administrative costs for processing). Unemployment insurance is legally bound to contribute half of the integration benefit and administrative costs of basic benefits in the form of the integration contribution. In 2010, EUR 5.4 billion were paid to the Federal Government for this.

A total of EUR 40.5 billion was spent for basic benefits (including costs for accommodation and heating to the amount of EUR 12.0 billion). This sum includes as a major cost pool unemployment benefit II to the amount of EUR 19.5 billion. Integration into employment, qualification and publicly promoted employment were assisted with EUR 5.0 billion through active labour market policies. The Federal Government financed the administration of basic benefits by absorbing the administrative expenses of EUR 3.8 billion.

More than EUR 5 billion for active labour market policies in basic benefits

Purchasing

The central purchasing department and the five regional purchasing centres offered comprehensive services to the employment agencies and joint agencies in the field of basic benefits. This secured the supply with labour market services and infrastructural goods, services and information technology in line with economy and public procurement law, and in high quality.

The purchase volume of employment agencies and joint agencies was EUR 2.59 billion

The purchase volume totalled to EUR 2.59 billion. The purchase of labour market services cost with 7,200 contracts concluded approximately EUR 1.70 billion; the share within unemployment insurance was approximately 57 percent.

To secure that tasks were carried out efficiently, a total of 2,100 orders with a total volume of EUR 898 million were executed in the fields of infrastructure and information technology. Invitations to tender are increasingly made electronically. This includes everything from requisition to publishing the specifications for tenders, submission of the proposal, internal processing within the purchasing department to the placing of the order with the tenderer and the following processing of contracts.

BA Information Technology

The BA has one of Germany's largest system landscapes

The BA has one of Germany's largest system landscapes. To execute its tasks, the BA needs high-performing IT support. Especially the reliability of the IT services offered is a particular challenge besides size and complexity.

IT of the BA

| | | | |
|------------------------------|---------|-------------------|----------|
| central datacentres | 2 | per month | |
| supervised BA IT procedures | 103 | postings | 7.5 Mio. |
| interconnected datacentres | 178 | bank transactions | 14 Mio. |
| servers | 1,500 | e-mails | 32 Mio. |
| interconnected PC workplaces | 170,000 | | |

Uniform Resource Planning System: Conversion to SAP

In 2010, the BA implemented a uniform resource planning system (ERP). The objective was to integrate different specialised procedures in one standard system. On the one hand, to being able to react to future demands flexibly and efficiently, on the other hand, to replace the outdated IT basis with a standard software – on the basis of the software by SAP AG.

Within human resources, the components of organisation management, position management and payments settlement were introduced in due time: Since 1 July 2010, all payments to civil servants and old age beneficiaries as well as wages of employees are effected via SAP. The organisational structure is displayed in the SAP IT system with all position plans and organisational data.

*ERP within human
resources implemented
in due time*

The foundations for the introduction in the finance department were laid in 2011. At the end of 2010, the former specialised financial procedures were converted to SAP. The specialised procedures of unemployment benefit I, unemployment benefit II and child benefit (Kindergeld) have already been converted during the year.

With the introduction of the new finance application as of January 2011, the BA faced another major challenge. More than 80,000 employees attended classroom-based trainings and e-learning to be familiarised with the contents of the new IT application.

*Introduction of SAP:
80,000 employees trained*

3. FIRST SERVICE PROVIDER ON THE LABOUR MARKET

3.1. Informing, Advising and Placing

*Broad range of services
for young persons*

The situation on the labour market relaxes noticeably. This means that in the future in particular school graduates with good qualifications will have even more opportunities and will have to choose between a variety of professional choices. The BA assists young persons in the transition to vocational training or studies with a broad range of services which contributes to a carefully considered and sustainable decision for a profession and its realisation. All services are free of charge, neutral and tailored to the target-group relevant utilisation by individuals. The BA thus strengthens the new generation's competency to choose a profession and contributes significantly to meeting the future demand for specialised employees.

With nationwide vocational guidance in schools, which takes place for all students well before graduation, guidance counsellors give an overview of the different options, prerequisites, and perspectives. In the interest of the young persons having to choose a profession and the schools, the BA locally provides transparency about information and assistance services of other service providers in the field of vocational guidance and thus allows for synergy effects and efficiency gains of all parties involved.

*Further development
of media offers*

The range of information provided by the BA comprises a mix of online offers, print media, events and training facilities. Major internet portals are planet-beruf.de, abi.de, KURSNET, BERUFENET and the JOBBÖRSE. Since 2009, there also has been a BA film portal (www.berufe.tv), which as of this year has been expanded with a free BERUFE.TV application in order to satisfy the media behaviour of young persons. Target group specific print media are being complemented by subject-oriented information leaflets, e.g. on professions in the fields of mathematics, information science, sciences, technology. All of the employment agencies provide in their Vocational Guidance Centres (Berufsinformationszentren – BiZ) comprehensive information material and appropriate internet access for young persons as well as for job-seekers or persons interested in further training. High emphasis is placed on topical information and the further development of the forms of presentation.

The major service effectively supporting the choice of profession is individual consulting. Over the last couple of years, the BA developed an improved concept of consulting for all target groups, which offers case-adequate, optimal assistance for the choice of occupation and its realisation. The transition into in-company vocational training is furthermore supported by the targeted submission of vacant vocational training positions. This is based on an intensive and trusting cooperation of the employer service of the employment agencies with local companies and enterprises.

In connection with the extension of the National Pact for Training and Supply of Specialised Young Workers (Nationaler Pakt für Ausbildung und Fachkräftenachwuchs) until 2014, the BA offered among others to coordinate its own range of vocational orientation services and that of the regional actors more strongly and therefore improve transition management. It continued the measures of deepened vocational orientation on a high level and thus flanked the necessary activities of the federal states.

Also in 2010, the employment agencies – financed from funds from unemployment insurance – continued the range of measures to support the transition of young people from school into vocational training on a high level. The range of preventive labour market policy services which support and accompany young persons intensively already during school have been further expanded.

Measures for young persons continued on a high level

Assistance for young persons

in million EUR

| | 2009 | 2010 |
|---|------|------|
| Employment preparation measures | 521 | 505 |
| Promotion of vocational training of disadvantaged trainees | 728 | 672 |
| Entry qualifications | 55 | 55 |
| Training bonus | 34 | 36 |
| (expanded) in-depth job orientation incl. vocational entry guidance | 101 | 121 |

The 4-Phase Model of Integration Work

Following the introduction of the 4-phase model for general placement in 2009, the year of 2010 was characterised by the introduction of the specific further development for the group of young persons and person undergoing rehabilitation. This created the basis for a consistent structure of employee-oriented integration work spanning both legal spheres and for improved cooperation between unemployment insurance and basic benefits.

Placement process further developed in both legal spheres

Following the implementation and continuation of the model, it was important to determine the quality of implementation and application and identify necessary needs for action for quality assurance and further development of the product in the past year. As a consequence, all institution levels developed suitable activities to optimise the quality and application security in this process.

More Vacancies in the BA's JOBBÖRSE

The economic upswing in Germany and the recovery of the labour market connected to it also affected the JOBBÖRSE. Hence, the number of vacancies published increased significantly and surpassed the one million threshold for the first time in the reporting month of September. This positive development can be noticed for both vacancies with a placement order and those vacancies that companies manage themselves in the JOBBÖRSE, and reflects the strong demand for labour on the labour market. By contrast, the number of applicants continued to decline in the course of 2010. Since September, approximately 8 percent less applicants have presented themselves in the JOBBÖRSE than in the respective previous months.

Number of job offers in JOBBÖRSE increases significantly

User numbers, however, remained unaffected by this development. With an average of 684,000 visitors and more than 9 million page views per day, these figures remained on a constant high level as compared to the previous year. On peak days, more than one million users visit the JOBBÖRSE. As a modern and contemporary e-government application, it makes an important contribution to balancing the labour market quickly.

The Training Campaign "Ich bin gut"

Training campaign makes services on the training market better known

The Training Campaign "Ich bin gut" (I am good) was adjusted to the changed situation on the training market and had the objective of making the range of services of vocational guidance and the employer service better known among young persons and employers. A specifically designed logo placed vocational guidance and employer service as originator of the campaign and generated a lot of media attention. The training campaign's motto "I am good" is geared towards young people and where they are in their life and motivates them to look into the subject of their strengths and talents as basis for choosing a profession. The online portal www.ich-bin-gut.de was the centre of the campaign and assisted young persons in their choice of profession with various offers. The media brands planet-beruf.de and abi.de were integrated just as comprehensive information on the BA's guidance services.

Promotion of Equal Opportunities of Women and Men

Networking, information offers and projects promote equal opportunities

The activities in the area of equal opportunities of women and men on the labour market are based on current developments on the labour market and on future demands for specialised employees. In order to utilise employment potentials of women, two main focuses were identified in the administrative departments of the representative for equal opportunities on the labour market (Beauftragte für Chancengleichheit am Arbeitsmarkt – BCA):

- securing information options for non benefit recipients and people re-entering the labour market
- optimisation of employer consulting in questions of family-friendly personnel policy

Besides intensive networking and the realisation of numerous events on the topics of "Women in MINT professions" (MINT: Mathematik (mathematics), Information (information science), Naturwissenschaften (sciences), Technik (technology)) and "Girls´ Day", the BCA was committed to the joint project with the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (Bundesministerium für Familie, Senioren, Frauen und Jugend) "Perspektive Wiedereinstieg" (outlook re-entry) to make the re-entry of women into professional life easier. Regular information offers could increase the entry of women into measures in the field of unemployment insurance and raise the accomplished minimum participation of women in measures.

The promotion of women also plays an important role in the field of basic benefits and keeps on developing further within the context of the increase of the potential of skilled employees and the employment potential of single parents. Intensive networking, the support of the ESF programme "Gute Arbeit für Alleinerziehende" (good jobs for single parents) and the increased acquisition of family-friendly jobs are the centre of attention here.

International Placement Service

In 2010, the ZAV (Zentrale Auslands- und Fachvermittlung) further strengthened its position as a service provider for special customer groups and contributed in its special fields of business to reaching the BA's business policy goals.

Position as service provider for special groups of customers and markets improved

In its international placement service, the ZAV offers employees who are interested in working abroad predominantly temporary job perspectives. Also professional groups that cannot find adequate employment in Germany benefit from this offer. In 2010, 11,100 German employees took advantage of the opportunity of placement abroad, in particular specialised employees from professions from the main and secondary construction industry and from the hotel and restaurant industry. The international experience thus gained improves the perspectives of gaining a foothold also in the domestic labour market.

The ZAV's management placement places senior managers. In 2010, an employer service was founded with the goal of intensifying the support of employers and thus developing more employment potentials. Within the engineer project, the ZAV again – among others in four nation-wide engineer job exchanges – assisted employers in recruiting managers and specialised employees. Due to the continuous upswing and the looming lack of skilled employees, the machine construction and electro-technical industries and other key industries are looking for particularly qualified skilled employees. In 2010, the ZAV could place a total of 2,600 people into employment in the business field of management placement, 700 of this through the engineer project.

Management placement places persons in senior management positions

In 2010, the artist placement section could integrate 56,600 artists in the German labour market for performing arts, music and entertainment, of whom 53,100 (94 percent) took on engagements of up to seven days' duration as is usual in the trade, and 3,500 employments of more than 7 days' duration.

The ZAV is also responsible for the admission of certain groups of professions into the German labour market. This includes for instance foreign seasonal workers, domestic helpers, itinerant labourers and employees working on the basis of service contracts. A total of 347,200 work permits were granted in 2010. These activities made another important contribution to meeting the demand for employees in Germany.

Labour market permit procedures are an important contribution to secure the supply of labour

Psychological Service

Assessments by psychological service support placement

The BA's psychological service as an internal service provider supports the placement staff in its daily work with customers. Expert assessments help to evaluate the aptitude for training or studies, or German language skills. Consulting services accompany customers in case of a change of behaviour necessary for an integration into employment. Assisting services for placement staff render assistance in certain situations in conversations.

Through well-founded professional evaluations of aptitude for training and profession, sustainable professional integration can succeed, better prognoses of the success of measures can avoid persons dropping out of measures. The work of the psychological service therefore contributes to reaching the business policy objectives. In 2010, approximately 260,000 customers were evaluated and advised, approximately 70,000 services of this were ordered by the Jobcenters. Beyond these tasks, the psychological service is also integrated in the selection and qualification of the BA's staff and assumes tasks of occupational psychology.

Medical Service

Medical service important element of integration work

The services of the BA's medical service are a major part of the integration work with customers. Assessments and consulting by the medical service answer the medical questions connected to the operative tasks of placement and counselling staff. On this basis, for instance decisions on required measures for the determination of ability to work and on integration into the training and labour market are being made. Consulting and assessment in due time can among others reduce the duration of unemployment, shorten the receipt of passive benefits, increase the chances of integration and dropping out of measures. This makes a significant contribution to reaching the business policy objectives of the BA.

In 2010, the medical service examined and consulted approximately 640,000 customers – of this 52 percent within basic benefits. Furthermore, the medical service was also involved in staff and company medical tasks.

Technical Consulting Service

Technical consulting service contributes to maintaining and creating jobs

The tasks of the technical consulting service comprise besides general consulting services on the subject of "securing and creating jobs" especially the quality assurance of labour market services, the disability-friendly design of workplaces, securing mobility and the quality assurance of institutions for the vocational integration of disabled persons. Approximately 15,800 orders were executed in 2010. Of this, approximately 78 percent were related to maintaining (prevention) and 15 percent to obtaining (integration) jobs. Roughly 7 percent concerned initial vocational integration.

Within the BA, technical consultants are at the same time safety engineers. Within this service, they advise the persons responsible for occupational safety.

3.2. Activating and Promoting

Employment agencies and the BA's institutions of basic benefits utilised their individual freedom of promotion, granted since 2009 with the introduction of the placement budget, and allocated the placement budget unbureaucratically and to suit the different requirements. In 2010, unemployment insurance supported 1.21 million and institutions of basic benefits 1.22 million customers in the initiation or taking up of employment liable to social insurance contributions or in-company vocational training. The total amount of funds spent was EUR 160 million within basic benefits and EUR 177 million within unemployment insurance in 2010.

Placement budget is allocated unbureaucratically and to suit the different requirements

Participation in a measure for activation and professional integration assists professional integration of training-seekers, employees threatened by unemployment and unemployed persons corresponding to their individual requirements. The measures can take place at an institution or within a company. In 2010, such a measure was promoted in a total of 660,700 cases within unemployment insurance, in 270,600 of these cases it was performed by an employer. For customers of basic benefits (without data from the authorised local authorities) 805,500 or 190,500 entries in such measures could be recorded. The total amount of funds spent was EUR 305 million for unemployment insurance and EUR 603 million for basic benefits.

Activation and integration measures support vocational integration

Promotion of further vocational training is one of the essential elements of active employment promotion. It contributes to balancing the discrepancy between requirements for qualification on the demand side and the actual qualifications of those looking for work. With this, the BA makes a significant contribution to meeting the demand for skilled workers. In 2010, customers of unemployment insurance were granted further vocational training in 267,300 cases. On annual average, 97,300 participants in further training were promoted, of this 29,900 with the aim of vocational qualification. Furthermore, 191,700 cases of beneficiaries of the BA's basic benefits were newly promoted with vocational training, on average 82,200 participants were already in measures. 28,100 of them participated in further training measures leading to vocational qualification.

Promotion of further vocational training is one of the essential elements of active employment promotion

In the past year, approximately EUR 958 million were spent from the integration item for further training within unemployment insurance. What must be added to this are roughly EUR 962 million for the payment of unemployment benefit during further training. For 2010, this makes an amount of approximately EUR 1.92 billion total expenditures within unemployment insurance for the promotion of the participation in measures of further vocational training. Total expenditure within basic benefits was EUR 827 million.

Promotion of the participation of young disabled and severely disabled persons in working life

The focus of the BA as institution of rehabilitation lies in the field of initial integration of young disabled persons into professional life, especially integration of disabled school graduates. Of the total of 66,300 (2009: 72,900) persons to be rehabilitated who were accepted for assistance in 2010, roughly 67.6 percent (2009: 68.3 percent) can be ascribed to the area of initial integration. The following measures were financed by funds of those paying contributions:

Within the framework of vocational re-integration – i.e. of persons who are or have been already integrated professionally – 21,700 disabled persons were qualified in further training measures on annual average in 2010 (2009: 22,900).

Initial integration of young disabled persons

Number of participants on annual average

| | 2009 | 2010 |
|---|--------|--------|
| Total employment-promotion measures | 92,700 | 97,200 |
| of this employment-promotion measures with the goal of vocational qualification | 50,700 | 52,900 |
| measures for determination of initial integration/employment preparation | 17,300 | 18,100 |

New expert concept for vocational education in sheltered workshops

On annual average in 2010, a total of 26,800 persons (2009: 28,300) were provided with support in the entry phase and occupational training phase of a workshop for disabled persons. This concerns disabled persons, who, due to their ability to perform, are not or not yet suitable for employment under normal market requirements. With a new expert concept of the BA, vocational education in sheltered workshops will be more strongly oriented towards the demands of the general labour market. The goal is to use all potentials for employment. With an offensive implementation of "supported employment" (Unterstützte Beschäftigung) (2010: 2,000 promoted persons), the BA significantly assisted reaching this goal.

The financial expenditures of the BA for benefits for the participation of disabled persons remained on a high level in 2010. Including the special promotion of severely disabled persons, a total of EUR 2.70 billion were invested in the participation of disabled persons in working life (2009: EUR 2.67 billion). The expenditures of contribution-financed unemployment insurance were EUR 2.53 billion (2009: EUR 2.52 billion), rehabilitation benefits within basic benefits came to EUR 166 million (2009: EUR 157 million).

EUR 13 million for qualification measures during short-time work

Since 2009, unemployment insurance has been promoting the further training of recipients of short-time allowance (Kurzarbeitergeld – KuG) within the framework of the programme "FbW während Kug" (promotion of further vocational training while receiving short-time allowance) with costs of further training in case this concerns the group of low-skilled workers. This promotion intends to use idle times for further vocational training. In 2010, EUR 13 million were spent for 5,600 cases of promotion.

The WeGebAU programme intends to intensify further training of older and low-skilled employees especially in smaller and medium-sized enterprises. Through participation in further training, employment chances and employability are to be retained and improved in order to safeguard permanent employment. At the same time, these qualification measures can make a contribution to meeting the need for skilled employees. Approximately EUR 274 million were spent for 95,800 cases of assistance in 2010. Of this, employers received wage allowance (Arbeitsentgeltzuschuss) for 15,900 employees.

Programme WeGebAU promotes further training of low-qualified and older persons

The initiative to flank the structural change, started in 2010, is to support the structural change becoming visible in individual fields and regions with suitable, long-term qualifications appropriate for the requirements of the labour market and thus counter the looming lack of skilled workers preventively. The promotion of further vocational training within the framework of this initiative intends to allow for low-qualified persons to gain recognised vocational qualifications or certified partial qualifications and thus strengthen the employability of this group of persons. There were 35,800 promotions with EUR 126 million in 2010.

EUR 126 million to flank the structural change

The ESF promotion guideline on the qualification of employees affected by temporary work shortage, which came into effect in 2009 and was for the time being limited until the end of 2010, was prolonged until 31 March 2012. Through the fortunate strong decrease of short-time work in 2010, also the number of cases of promotion decreased remarkably. In the past fiscal year, EUR 31 million were spent on the promotion of employees receiving short-time allowance due to the economic situation. A total of 52,500 employees took the opportunity to participate in further training during their time off. Furthermore, a total of 12,600 recipients of transfer short-time allowance (Transferkurzarbeitergeld) participating in qualification measures received assistance from ESF funds (expenditure 2010: EUR 12 million).

European Social Fund (ESF) supports qualification of employees in case of temporary work shortage

The utilisation of funds from the European Globalisation Adjustment Fund (EGF) was continued successfully with three projects in the fields of mobile communication, automobile manufacturing and printing machine manufacturing. The projects had a total of funds of EUR 32.6 million available for the re-integration of 4,094 former employees of the respective enterprises.

European Globalisation Adjustment Fund (EGF) supports three projects

The support of partial retirement through the BA ends and can only be granted if partial retirement started before 1 January 2010. In 2010, roughly 47,200 applications for approval of eligibility criteria were authorised. The BA supported partial retirement to the amount of EUR 1.34 billion in 2010 (2009: EUR 1.31 billion).

Assistance of partial retirement

| | 2010 |
|---|-------------|
| Total number of persons in assisted partial retirement | 90,500 |
| of this replacement with: employees after training qualification | 52,800 |
| unemployed persons | 32,000 |
| hiring of trainees or employment of recipients of unemployment benefit II | 5,700 |

Roughly one third of integration funds in basic benefits were used for work opportunities

Work opportunities are considered a first step towards the labour market for beneficiaries distant from it. They aim in the first place at the creation or retention of employability and social stabilisation, and continue to be a focal point of promotion within basic benefits. In 2010, EUR 1.68 billion or 33.4 percent of the funds for integration benefits were spent on work opportunities. The expenditures were approximately at the same level as the previous year (+EUR 1.7 million or +0.1 percent). On annual average, approximately 260,900 participants received assistance, this is 4.3 percent less than in the year before.

Critical examination of the approach for market replacement 2011

In order to reach the highest possible integration effect despite the reduced 2011 budget, a particularly efficient utilisation of funds is necessary. Regarding the integration effect and the efficiency of labour market policies, the promotion through work opportunities is to be reduced further in favour of instruments closer to the labour market.

For beneficiaries of basic benefits distant from the labour market there are still possibilities for promotion available, aside from the regular integration benefits, that weaken the budget cuts, such as the pilot project "Bürgerarbeit" and the federal programme "Perspektive 50plus – Beschäftigungspakte für Ältere in den Regionen" (perspective 50 plus – employment packages for older people in the regions).

3.3. Securing Employment, Overcoming Crises

In 2010, the BA spent EUR 16.6 billion (2009: EUR 17.29 billion) on unemployment benefit and partial unemployment benefit (including reimbursements to foreign insurance institutions). The total sum included EUR 2.8 billion for health insurance contributions, EUR 3.8 billion for pension insurance contributions and EUR 0.4 billion for nursing care contributions. In 2010, the average monthly entitlement (without social security contributions) of a recipient of unemployment benefit amounted to EUR 774 (2009: EUR 746).

EUR 16.6 billion unemployment benefit and partial unemployment benefit paid

Short-time allowance is a partial replacement of wages and is intended to contribute to retaining jobs of employees, and experienced staff of enterprises. During the economic crisis, short-time allowance proved to be an effective instrument to secure employment. Since 2008, the legal regulations on short-time allowance have been made more attractive in several steps. In 2010, there was an annual average of approximately 500,000 short-time workers, of this roughly 430,000 due to the economic situation (2009: 1.08 million). This equals the preservation of approximately 120,000 jobs. The amount of funds spent on short-time work due to the economic situation was EUR 3,05 billion in 2010 (2009: 4.57 billion); of this EUR 1.68 billion short-time allowance due to the economic situation and EUR 1.38 billion for the refund of social security contributions.

Short-time work is an effective instrument to secure employment

With seasonal short-time allowance employees from the construction industry can remain employed also during economic and seasonal work stops during times of bad weather and do not have to be dismissed into unemployment. In 2010, 61,300 (2009: 69,200) applications for benefits (seasonal short-time allowance in case of work shortage due to the economic situation in the months from January to March 2010) for 444,600 employees were settled (2009: 470,000). For contribution-financed seasonal short-time allowance a total of EUR 553 million including payment of half or all of the contributions to social insurance (2010: EUR 350 million) were spent in 2010. The pay-as-you-go expenditures for winter added-expense reimbursements (Mehraufwands-Wintergeld), winter bonus allowances (Zuschuss-Wintergeld) and reimbursement of social security contributions to employers came to EUR 223 million (2009: EUR 269 million).

Winter construction/seasonal short-time allowance preserve jobs during work shortage due to reasons of economy and weather

Insolvency insurance secures owed wages and salaries of employees. Insolvency benefit (Insolvenzgeld) is granted to the amount of the owed net wages (allowing for a monthly gross benefit ceiling). Along with this, the BA pays the total social security contributions for the past three months to the applicable collection offices (the public health insurance funds). In 2010, the expenditures for insolvency benefits equalled EUR 740 million (2009 a total of EUR 1.62 billion).

Insolvency benefit secures owed wages and salaries

Since 1 February 2006, caregivers, self-employed persons, and individuals employed abroad (outside the EU) have been able to voluntarily continue their enrolment in unemployment insurance. A total of roughly 104,900 applications (previous year: 98,100) for voluntarily continued insurance coverage were filed, roughly 5,500 (previous year: 5,900) were denied. Revenues from contributions amounted to approximately EUR 40 million (previous year: EUR 34 million).

EUR 40 million contribution revenues from voluntary extended insurance coverage

765,500 cases of suspension of benefits determined

Periods of suspension of benefits arise if customers of unemployment insurance behave in a way which is not in accordance with the insurance conditions. In 2010, there was a total of 765,500 cases of suspension of benefits (2009: 843,100).

Reasons for periods of suspension of benefits

| | 2009 | 2010 |
|---|---------|---------|
| Failure to report | 242,900 | 259,300 |
| Belated reporting as unemployed | 342,100 | 253,800 |
| Giving up work/behaviour contrary to the contract | 206,900 | 194,900 |
| Refusal to take up reasonable employment or training measures or because such measures were abandoned | 40,300 | 43,000 |
| Insufficient own job-search effort | 10,900 | 14,400 |

During periods of suspension of benefit, unemployment benefit is not paid. The period of eligibility reduces by the number of days of suspension of benefits, in the case of a 12-week period of suspension of benefits due to giving up work at least by a quarter of the duration of eligibility. In 2010, eligibility for benefits was discontinued in 6,900 cases (2009: 6,700) because the job-seeker had given cause for periods of suspension of benefits totalling at least 21 weeks.

Less objections but more lawsuits in the field of unemployment insurance

The decrease in unemployment also leads to a decreased number of objections: The number of objections raised against decisions made by the offices of the BA declined. It was 326,600 (2009: 357,300).

The number of lawsuits – regarding matters relating to social law, field of unemployment insurance – filed in front of the social courts increased to 30,400 (2009: 28,800) due to an increased number of lawsuits in the field of further vocational training and active labour promotion. In approximately 89 percent of the cases, decisions in reaction to objections were not challenged. The number of unresolved proceedings at the end of the year came to 40,900 (2009: 41,600). The number of appeals in front of the social courts of the federal states declined slightly (2,150) as well as the number of new proceedings involving the BA (357) pending before the Federal Social Court (Bundessozialgericht) (appeals on matters of law only, summonses to the BA as an interested party, appeals against denial of authorisation to appeal).

3.4. Assuring Livelihood, Creating Perspectives

Basic benefits secure the livelihood of persons in need with a number of constant and one-time benefits.

Broad spectrum of services secures social security and participation

Constant benefits are for example

- unemployment benefit II for persons in need but capable of work, social benefit for children and members of a household in need (Bedarfsgemeinschaft) not capable of work
- temporary additional grant after receiving unemployment benefit
- municipal benefits for accommodation and heating
- contributions and grants to social insurance of the benefit recipients
- additional requirements for pregnant women, single parents, disabled persons or due to a special requirement for diet

One-time benefits are among others

- annual additional grant for school to the amount of EUR 100 (Schulbedarfspaket) and
- municipal benefits for furniture, first clothing during pregnancy and birth as well as school trips of several days' duration.

From January to September 2010, a total of EUR 27.5 billion was paid for these benefits, among that EUR 11.7 billion unemployment benefit II, social benefit and additional grant, EUR 10.4 billion for the costs of accommodation and EUR 5.3 billion for contributions to social insurance.

In 2010, more than 21.9 million notifications on benefits were sent with the software procedure A2LL for the calculation and payment of benefits for a livelihood. This comprises for the most part (further) granting notifications and notifications of change and refund.

More than 21.9 million benefit notifications in basic benefits

First applications by customers are being processed on average in 7.3 working days. At the end of December 2010, the desired period of 15 working days was undercut significantly. The results of a customer survey confirmed the swift processing of benefit applications. Of 61,000 benefit recipients questioned, 67 percent awarded the school grades of 1 or 2.

The most important source for detecting abuse of benefits is the automated data verification with other institutions of social insurance and the tax administration. In the fiscal year of 2010, overpayment was detected in 134,300 cases. The extent of the damage came to roughly EUR 67 million.

Data verification prevents abuse of benefits

In 2010, roughly 276,600 proceedings on account of suspicion of an administrative offence or of a criminal offence were initiated, of this 226,300 due to abuse of benefits. Roughly 59,400 cases were passed on to the customs authorities because there was suspicion of undeclared employment, of this 52,200 cases due to abuse of benefits. A further roughly 25,900 cases were passed on to the public prosecu-

tion department with substantiated indication that a criminal offence had occurred. On account of the existence of an administrative offence, the institutions took action in 93,800 cases of violation and laid down administrative penalties and fines to the total amount of EUR 11.8 million.

Rate of penalties lies unchanged at 3.9 percent

From January to August 2010, on average 82,100 unemployed persons capable of work in need of support received at least one penalty. This equals a rate of penalty of 3.9 percent. The rate of penalty for persons younger than 25 years is – as in the previous years – with 10.1 percent three times as high as that of adults older than 25 years (3.3 percent).

The number of newly decided penalties increased as compared to the previous year: From January to August 2010, 540,700 penalties have been newly decided. This is approximately 10.7 percent more than in the same period last year (January to August 2009: 488,400).

High number of notifications sent puts number of objections and lawsuits into perspective

Roughly 22.7 million benefit and penalty notifications were prepared within basic benefits in 2010. Of this

- roughly 835,700 were objected to (3.7 percent) and
- roughly 158,200 were appealed against (0.7 percent).

Within the framework of processing the objections and lawsuits

- roughly 305,600 objections were granted (1.3 percent of all notifications), of this 164,300 cases (0.7 percent) due to inaccurate work of the agency for basic benefits,
- approximately 61,200 notifications were overridden or changed during the proceedings (0.3 percent).

A total of 366,800 notifications were overridden or changed during the objection and legal proceedings. This is only 1.6 percent of all notifications.

4. SEIZING IMPULSES, INITIATING INNOVATION

4.1. Good Ideas Help Progress

Legal regulations form the framework for the acts and execution of tasks of the BA. They define the discretion for the Executive Board, the central Board of Governors, the local administration committees and the employees of the BA. Major impulses are being given by the Executive Board and the institutions of self-governance in a constructive critical dialogue. The BA set itself the goal to constantly continue evolving to improve the execution of tasks, optimise business processes and thus employ the funds from contributions and tax revenues committed to the BA in a responsible way and for the gain of customers from the employee and employer side efficiently and effectively.

Besides the major strategic considerations and business policy priorities of the Executive Board and the Board of Governors, the BA gets important impulses for the further development of its range of services from its partners, customers and employees. The BA is integrated into many networks, partnerships and contexts. Here, contacts to politics and lobbyist on a municipal and federal level enhance its work. Also science – especially the Institute for Employment Research (Institut für Arbeitsmarkt und Berufsforschung – IAB) – or the media give important impulses. The public analysis of the acts of the BA supports considerations about execution of tasks and quality of service as well as employee surveys or ideas for improvement by practitioners on location.

BA receives impulses for improvement from its partners, customers and employees

Improving customer satisfaction is a major objective of the BA. In order to identify approaches for this, the Centre for Customer and Employee Surveys (Zentrum für Kunden- und Mitarbeiterbefragungen – ZKM) conducted more than 120 representative surveys with more than 500,000 participants in 2010. Furthermore, the ZKM measures the quality of external and internal training measures, conducts employee-specific surveys, such as the management feedback, and conducts interviews on compatibility of career and family life or on the quality of internal services and expert services. The results of the surveys are published in the Intranet and are accessible to all employees.

Regular surveys among customers of the BA

Another source for improving the range of services is feedback by customers of the BA. In 2010, the BA's customer response management received a total of roughly 112,000 requests concerning the total range of tasks of the BA. As in the previous years, the major points were duration of processing of benefit applications, quality of placement and promotion offers, waiting times on the phone and communication with employees. Roughly 70 percent of the requests were complaints and 24 percent positive feedback. Roughly 30 percent of the complaints were legitimate. This corresponds to the percentage of the previous year.

*Various customer requests
Praise and criticism about
the work of the BA*

The regular dialogue with other public institutions of labour administration abroad contributes to challenge and improve the own practice. The BA is thus actively involved in the European process for the EU 2020 strategy of the European Commission and makes its contribution to sharpening the profile of the European institutions of labour administration regarding the experiences from the economic crisis and in view of future challenges. Impulses for own learning came predominantly from the Public Employment Service Austria (Arbeitsmarktservice Österreich – AMS). In the foreground were standard instruments of quality management.

Ideas for change and further development also came from the BA's employees. They participated, for example, actively in the improvement of their workplace with ideas for improvement via "creativ Ideenmanagement". In 2010, more than 2,000 ideas for improvement were handed in. By implementing these ideas, several million Euro could be saved.

Internal auditing regularly audits all divisions of the BA

The auditing and consulting services of internal auditing are geared towards creating added value and improving business processes. Internal auditors regularly audit all divisions of the BA on the basis of internationally recognised auditing standards and are furthermore responsible for preventing and combating corruption. Besides system and compliance audits, internal auditing conducts special event-driven audits and accompanies important projects. Following an audit, packages of recommendations and measures provide concrete help on improvements. Within the framework of a follow-up inspection, the implementation of agreed measures is followed up upon.

Evaluation of integration success with product and programme analysis

The product and programme analysis of the BA evaluates in regular intervals the labour market policy instruments in both legal spheres and offers scientific assistance in testing innovative elements in the field of active employment promotion or a changed design of guidance and placement processes. It thus provides impulses for product design and development, supports the optimisation of decentralised promotion strategies and hence contributes to an increased effectiveness and efficiency of labour market policies. In 2010, emphases in content of scientific evaluation were the evaluation of pilot projects on the cooperation with private service providers on the labour market, of the pilot project "PINGUIN" (Projekt interne ganzheitliche Unterstützung zur Integration im SGB III – project internal support for the integration within SGB III) and the evaluation of various forms of assistance for small and medium-sized enterprises within the field of in-company further training.

4.2. Further Developing Customer-Oriented Services

Services for Young Persons

Project "Arbeitsbündnisse Jugend und Beruf"

The objective of the project "Arbeitsbündnisse Jugend und Beruf" (work alliances youth and occupation), which has started in mid 2010, is the holistic and interconnected assistance of young people. Here, transparency of specific offers of the involved institutions is to be increased, exchange of information and data to be improved and processes to be harmonised. An intensive cooperation already exists in six locations. An expansion of the project is planned in 2011. As of 2012, interested employment agencies, institutions of basic benefits and municipalities are to be provided with a practice-tested modular "tool kit" with concrete help for a deepened cooperation at the points of intersection. Thus, more "Arbeitsbündnisse Jugend und Beruf" are to be created all over Germany.

Arbeitsbündnisse Jugend und Beruf: improved cooperation at the points of intersection

Joint Initiative

The Federal Government Commissioner for Integration (Integrationsbeauftragte der Bundesregierung), the BMAS and the BA initiated an initiative for the improvement of integration into the labour market of persons with a migration background. The following elements were the major points in 2010:

Joint initiative: more opportunities for persons with a migration background

- The pilot project "Ganzheitliches Integrationscoaching (GINCO)" (holistic integration coaching) supported young persons in employment preparation courses in vocational schools at the transition to vocational training and employment with purposeful coaching.
- The innovative trade fair concept JOBAKTIV connected in pilot events in Stuttgart and Offenbach more than 9,000 visitors with employers and institutions offering consulting and was tested successfully.
- At the end of the year , the BA's Executive Board and the Turkish embassy drew a positive balance of an intensified cooperation at four locations with Turkish Consulates General, agencies and Jobcenters.
- Migration-sensitive competencies of the staff of agencies and Jobcenters were supported at four project locations with specific qualification measures.

Developments at the Family Benefits Office

In 2010, the Family Benefits Office (Familienkasse) continued its consolidation course to reach a continuous improvement of efficiency and effectiveness while considering customer and employee satisfaction. Also the increase in child benefit (Kindergeld), effected on 1 January 2010, was implemented smoothly and in due time by the Family Benefits Office.

The Family Benefits Office in Figures (December 2010)

| | |
|--|---------------|
| Entitled persons with 14.51 million children | 8.82 million |
| family allowance (Kinderzuschlag) paid | 408 million |
| child benefit paid | 33.53 billion |

With the online form service "Kindergeld" – a part of the BA's e-government strategy – persons entitled to child benefit can fill in the required application forms and notifications of change online and send them to the family benefits office or call up information on the current state of processing of their applications. In the second stage of the project "Kindergeld Online", the service will be expanded for customers with more functions. The online passport function of the new ID card will furthermore allow users to submit change notifications with electronic authentication, particularly for changes of the address or the payment method.

Placement and Consulting Services

Employment-oriented case management proved its worth in practice

Further Development of Employment-Oriented Case Management

Employment-oriented case management offers customers of basic benefits a more comprehensive range of assistance and consulting services. Diversified experiences with differentiated ways of implementation have developed since 2005, and employment-oriented case management has established itself nationwide as a method of social and labour market integration. In 2010, the compulsory core elements of case management as well as implementation and quality criteria were put down to further advance the professionalisation of case management. The BA furthermore offers modular qualification options for case managers with the possibility of certification in accordance with the guidelines of the German Society for Care and Case Management (Deutsche Gesellschaft für Care- und Casemanagement).

Results of the Pilot Projects with Optimised Assistance Relations in Job Placement

In 2010, two pilot projects on the efficiency of optimised assistance relations in employee-oriented job placement were concluded successfully. The results of the pilot projects are an important orientation for the upcoming development of the medium-term human resources concept of the BA for unemployment insurance.

Higher utilisation of staff results in decreased expenses

■ The concept test "Kunden aktivieren – Integrationsleistung verbessern" (activating customers – improving integration performance) examined in 14 employment agencies whether an optimised assistance relation of placement staff to customers (1:70) led to such a greater effect that the additional expenses for personnel costs pay off. The examination showed that an improved support relation leads to constantly improved results, decreases the duration of unemployment and results in positive effects for the labour market. The additional expenses for increased personnel costs have been overcompensated with cost cuts due to improved and faster taking up of employment and savings from earnings replacement benefits during unemployment.

■ The project "Interne ganzheitliche Unterstützung zur Integration im SGB III" (PINGUIN) examined in six employment agencies whether the internal execution of tasks of a holistic assistance of customers with several placement constraints can be made more effectively and economically than by commissioning third parties with measures of holistic integration as hitherto practised in accordance with Section 46 SGB III. The examination showed that internal processing improves the chances of taking up employment significantly. The assisted customers were unemployed for shorter periods and remained in employment for longer periods. Due to the better process quality, the internal execution of tasks could be handled more cost-effectively.

Autonomous execution of tasks is more effective and efficient than commissioning third parties

Project Qualification Consulting and Qualification Alliances

Within the framework of the "Aktionsprogramme Prävention und Innovation" (action programmes prevention and innovation), the BA is currently testing different model approaches for qualification consulting and for the increase of qualification activities in small and medium-sized enterprises. The open and unbiased model approaches intend making small and medium-sized enterprises sensitive to the need for qualification-oriented personnel policy, consulting them on the implementation of in-company further training and thus making a contribution to meeting the demand for skilled employees. The responsibility for the implementation and funding of in-company further vocational training remains with the employees and enterprises. In 2011, a decision will have to be made on the basis of the results obtained until then whether and how the BA will expand its portfolio of tasks within the employer service.

Qualification consulting as contribution to meeting the demand for skilled employees

Faktor A and BusinessTalk

With the customer magazine "Faktor A", the BA created a new medium for employers, which is published each quarter in electronic form at www.faktor-a.arbeitsagentur.de and as print version. The BA BusinessTalk is a new nationwide form of events for employers giving the actors of the local economy a platform to discuss all questions of the labour market and thus intensify the contact between employer

New formats of communication and interaction for employers

service and enterprises. In 2010, the event concept is further developed based on knowledge gained to meet the customer requirements of employers even better.

Kompetenzdiagnostik für Kundenprofile (KodiaK)

New procedure to evaluate soft skills

After the introduction of the 4-phase model placed clear emphasis towards stronger and more competence-oriented integration work, the psychological service developed new ways of assistance within the framework of the project "Kompetenzdiagnostik für Kundenprofile" (competence diagnostics for customer profiles – KodiaK) that are to assist integration staff in the implementation of the stronger and more competence-oriented approach. For the evaluation of the non-technical, i.e. soft, skills there are therefore well-founded and little time-consuming diagnostic methods available that are being tested in three locations regarding their applicability between September 2010 and March 2011. Four different service offers are available for placement staff in both legal spheres for their work with adult customers. They offer assistance in the evaluation of perceptive faculty, performance orientation and social communicative competencies. A questionnaire for self evaluation helps customers to recognise their non-technical skills. Following the test period, the Executive Board and the Board of Governors will decide on a nationwide introduction of the services.

Inclusion as Principle of Participation of Disabled Persons

Convention on the rights of disabled persons demands equal participation

In December 2008, the German Bundestag ratified the UN convention on the rights of disabled persons dated December 2006. The convention on the rights of disabled persons (Behindertenrechtskonvention – BRK) bans the discrimination of persons due to a disability and guarantees civil, political, economic, social and cultural fundamental rights in all contracting states. The guarantee of all fundamental rights demands the unlimited and equal participation of disabled persons in all areas of life. For this objective, the term of an "inclusive" society was minted.

Inclusive developments in all areas of society – such as in the school system, in the vocational education system or in working life – must be watched and adapted during the further development of the range of consulting and service. This will not only affect the design of the disability-specific offers of the BA. Each service of the BA will in the future be directed towards the inclusive integration of disabled persons. As an institution of benefits for vocational rehabilitation and the institution of unemployment insurance or basic benefits for disabled and severely disabled persons, the BA will make a significant contribution to the Federal Government's national working pact on the implementation of the UN convention.

New way barrier-free information to facilitate access to information

The BA will work even harder to provide access to its range of information and services without barriers of infrastructure and communication technology. New forms of barrier-free services – such as "easy language" – must be included in the design of the media offer or also when writing notices and letters.

Consulting on Recognition

The integration of qualified immigrants with foreign vocational or academic qualifications into the German labour market does not succeed sufficiently. Although the potentials of foreigners are increasingly in demand also due to the demographic development, they are concerned by unemployment disproportionately or often only work in professions that do not equal their training. The recognition of foreign qualifications is therefore an important component on the way to successful integration into the labour market and society.

The BA's ZAV has been lending support in this field since 2009 and advises skilled employees with foreign vocational or academic qualifications as well as placement staff in the employment agencies and institutions of basic benefits on questions of the recognition of foreign qualifications. Consulting on recognition provides clarity about labour market necessity of a recognition process and thus supports the placement process in the employment agencies and institutions of basic benefits. The pilot function and case-related accompanying of customers proved to be sensible and helpful: Immigrants were provided with clarity about the possibilities of recognition of their foreign education qualification quickly. Intensive networking helped lower obstacles for immigrants, such as translation or collection of the necessary documents. Approximately 6,000 customer questions were answered in 2010.

Consulting on recognition provides clarity and supports placement process

Expert Congress "Gesundheitsorientierung zur Förderung der Beschäftigungsfähigkeit"

The connection between unemployment and health impairment is proven scientifically. With the umbrella campaign "Gesundheitsorientierung zur Förderung der Beschäftigungsfähigkeit" (health orientation for the promotion of employability) and participation in the cooperation association "Gesundheitsförderung von sozial Benachteiligten" (health promotion of socially disadvantaged persons), the BA does not only want to accommodate health aspects especially of long-term unemployed persons but above all initiate and shape innovative, sufficiently varied networks. On 28 June 2010, the BA therefore held the "Fachkongress Gesundheitsorientierung zur Förderung der Beschäftigungsfähigkeit" (expert congress health orientation for the promotion of employability) in Berlin with approximately 500 participants. In the plenum as well as in five expert fora, the most important approaches of a cooperation were presented and concrete activities of the BA discussed. This particularly concerned questions of networking, qualification and special target groups. The final panel discussion was used to present and discuss the results developed, such as the systematic integration of health orientation in the BA's services and the expansion of its network.

Health orientation to be included into services of the BA more strongly

*Developing strategies in
local networks*

Labour Market Monitor

The BA's labour market monitor, developed in the crisis year of 2009, has the goal of connecting the major labour market actors in regional networks. Only this way, it will be possible to overcome the great challenges the German labour market is facing. An important prerequisite for successful communication, joint activities, and tailored strategies in local networks is a shared understanding of the starting situation. For this, the labour market monitor provides a consistent data base as basis for discussion.

After a joint analysis of regional developments, local strategies adjusted to the respective labour market can be developed and joint measures can be initiated. This emphasises the idea of prevention even more. Actions in due time can avoid or weaken negative consequences of sustainable and long-term developments. Due to in the complex labour market developments, the BA relies on a cooperative dialogue with external decision-makers to initiate sustainable developments and to utilise public funds as effectively as possible through an improved cooperation of different institutions.

*Challenge demographic
change*

Initiative for Securing the Supply of Skilled Employees

The demographic and structural change present great challenges to the labour market: The supply of labour decreases, at the same time the demand for replacements due to people retiring and qualification demands made on employees rise. It is the BA's objective to assist enterprises in meeting their demand for skilled employees and to integrate especially employees reported as unemployed at the domestic labour market. If they do not have the demanded qualification, the BA strives to allow job-seekers to gain vocational qualification or qualification useful on the labour market through purposeful promotions.

*Varied activities of the BA
to secure the supply of
skilled employees*

With a variety of measures, the BA already today contributes to an improved utilisation of the existing labour force potential and thus the demand for skilled workers is weakened:

- placement and consulting
- creating transparency on the current situation and development of the labour market, possibilities of (further) vocational training
- increase in the labour participation of women and older persons (e.g. by making further training in part-time possible)
- offer of a varied number of promotion instruments (e.g. WeGebAU, initiative to flank the structural change, qualification during short-time work)
- assistance in the recognition process of foreign qualifications
- placement of foreign employees by the ZAV

The challenges of the increasing demand for skilled employees can only be overcome if all actors work together and use the available levers.

Pilot Project Bürgerarbeit

The coalition agreement stipulates testing new approaches to increase the efficiency of labour market instruments. For that reason, the Federal Ministry of Labour and Social Affairs initiated the pilot project "Bürgerarbeit" (citizen work) within basic benefits. Its objective is to integrate as many unemployed persons in need of support but capable of work as possible into the labour market through high-quality and consistent activation and only place those in Bürgerarbeit for whom integration into the general labour market is no longer possible. Furthermore, the activation process is to be improved further through bundling resources and interlocking measures in regional projects.

Pilot project Bürgerarbeit starts

Bürgerarbeit comprises two phases: The six-months activation phase comprises consulting and determination of situation, placement activities as well as qualification and promotion. The second phase (employment phase) comprises the actual Bürgerarbeit with an employment relationship of up to three years with one employer, which is to be accompanied with intensive coaching. The employment relationships are liable to social insurance contributions and concern work in the public interest, which can be supported with a grant of up to EUR 1,080 (EUR 900 unemployment benefit and up to EUR 180 contributions to social insurance without unemployment insurance).

Almost half of the institutions of basic benefits participate in the implementation of the pilot project Bürgerarbeit. The aim is to include a total of 160,000 persons into the activation phase. 34,000 positions for Bürgerarbeit will be available as of 15 January 2011, in which already activated unemployed persons capable of work but in need of support can be placed then. EUR 1.3 billion are available to fund the project until the end of the project term on 31 December 2014.

Granting of Benefits

Further Development of the Benefit Proceedings in Basic Benefits

"ALLEGRO" ("ALG II – Leistungsverfahren Grundsicherung Online" / unemployment benefit II – benefit procedure basic benefits online) is to take over for the current benefit procedure A2LL as of autumn 2013. The work on the basic functionalities comprising the registration of benefit communities and persons, benefit amounts as well as payment to customers and institutions of social insurance have been finished as scheduled. The extent of functions has been expanded successively since 1 December 2010.

ALLEGRO – basic functionalities already finished

Notifications are Becoming more Understandable

Each year, the institutions of basic benefits post four million notifications. The notifications are to become more citizen-friendly, understandable and clear in order for customers to comprehend decisions of the institutions of basic benefits better. Together with representatives from the social associations, the employees of different BA offices are rephrasing the complex legal bases into a more comprehensive language while making sure that the text remain procedural and in accordance with the current status of jurisdiction.

Notifications within basic benefits are becoming more customer-friendly

4.3. Further Increasing Efficiency and Effectiveness

Business Model of Self-Financed Internal Consulting in Basic Benefits

Since 2010, the service of internal consulting SGB II (Interne Beratung SGB II – IB SGB II) has been offered to joint agencies and employment agencies with separate duties as voluntary and now charged service, which is funded from their decentralised costs of administration budgets. This replaces the flat rate funding from supra-local funds with a more strongly decentralised financial administration of funds.

*Successful start into
self-financing*

IB SGB II is managed as cost centre following entrepreneurial guidelines and thus takes an innovative direction of service consistently in line with demand. The consulting service, which is oriented towards local requirements, has been demanded to the amount of EUR 2.5 million in 2010. In 2010, the focus of consulting were the subjects of management of new customers, internal control systems, backlog decrease in the field of benefits and in the objection departments as well as employment-oriented case management.

*Strengthening of de-
centralised management
responsibility*

The IB SGB II, founded four years ago, complements the offer of management support on a local level and thus strengthens the decentralised management responsibility and competence. It assisted the business management of the institutions of basic benefits in using their local discretions with individual and tailor-made concepts and consulting services. The managers could fall back on the expertise of the consultants and their know-how from meanwhile 328 consulting jobs in more than 240 offices. IB SGB II contributes with its work to the goals formulated in the BA's basic principles, especially of further promotion of decentralised administration. Due to the high acceptance with managers and employees, IB SGB II succeeds in achieving regular changes that have a sustainably positive effect on the achievement of objectives.

*New classification of pro-
fessions projects structures
of professions better*

New Classification of Professions 2010

The BA developed a new classification of professions (Klassifikation der Berufe – KIdB 2010). It replaces the meanwhile outdated classification of professions, dating from 1988, in the placement and consulting systems of the Federal Employment Agency, labour market statistics and labour market research. The conversion to the new classification is scheduled for 2011. The KIdB 2010 allows to project the actual structures of professions in Germany better than possible until now. The change of importance of individual professions and whole occupational fields can be projected and analysed better in the future. KIdB 2010 additionally improves the international comparability of labour market data because it features a high compatibility with the international classification of professions (ISCO-08).

New Occupational Code in the Notification Procedure for Social Insurance

A change in the notification procedure to social insurance must also be seen against this background. The occupational code will be adapted in such a way in 2011 that occupations and existing and required vocational qualifications of unemployed persons and job vacancies can be compared more precisely in the future. From this, more reliable conclusions can be deduced than to date, for example on the lack of skilled employees in Germany.

Occupational code in the reporting process to social insurance will be changed

Controlling Internal Services and Special Agencies

The BA's internal services make sure that all agencies and regional directorates are being provided with the required services in the fields of controlling/finances, human resources, infrastructure and IT. In order to being able to guarantee a consistent standard of services controlling was already introduced in 2009 and further developed in 2010. The core is adhering to the processing periods of selected services (service levels). Furthermore, customers of internal services are being interviewed regularly.

Strategies and Further Development in IT

With the IT strategy 2010, the BA developed clear and binding guidelines for the IT in 2006. The IT strategy is driven by the vision of being the best-performing and most economical IT service provider in the public sector in Germany. It pursues a holistic approach and avoids the reduction to a purely technological perspective. The strategic objectives for the IT were drafted from the business policy demands of the BA and the framework conditions for its implementation were defined in the following five years.

IT strategy 2010 – an evaluation of the results

Since 2006, the performance of IT services has been oriented consequently by the strategic guidelines. This led to a sustainable, pioneering reorganisation of the IT system landscape. Many strategic initiatives could already be implemented successfully. Some activities, however, go beyond the timeline defined by the IT strategy 2010. Examples for this are the reorganisation of the IT system landscape or the introduction of new technologies for PC workplaces. Additionally, new initiatives were added. This includes the energy-saving utilisation of a "green IT" and the holistic e-government approach.

E-government is an important element for the modernisation of consulting. The core objective is the development of an electronic administration, the online offer of which is tailored to the needs of customers and partners regarding information, communication, transaction and integration. The BA's e-government strategy thus targets at

E-government modernises administration

- the increase of the satisfaction of BA customers and partners, particularly through the online availability of services,
- the optimisation of business processes, particularly through support of customers and partners free of media disruption,
- the perception of the BA as modern public institution in Germany with an up to date online offer.

| | |
|---|--|
| <i>Outlook: further development 2015</i> | For the stable and sustainable further development of the IT, a continued strategic development of strategic guidelines is necessary. 2010 was the final year of the successful implementation of the current IT strategy and at the same time the link for the strategic further development until 2015. The IT strategy 2010 was thus transferred smoothly into the IT strategy 2015. |
| <i>Conversion to SAP</i> | With SAP, the BA made a big step step of fundamentally modernising the user software in the fields of human resources and finances. The new SAP system replaces a great number of old procedures and integrates them into one single platform. Besides the optimisation of business processes this offers a number of advantages, among others the reduction of application variety. The SAP system primarily serves to offer customers and employees improved services. The SAP system is integrated in the existing IT landscape and linked to existing IT procedures. In further steps, the SAP system will be further expanded and developed within the BA. The introduction of the marketable standard software SAP is an important component within the framework of the IT strategy 2015. |
| <i>Role-based user interfaces</i> | Within the complex spectrum of tasks of the BA (consulting, assistance, placement) exists an abundance of specified work procedures (business cases) that are being executed by defined groups of users (roles). Placement staff need different IT functions than staff within the entry zone. With a user interface tailored exactly to the respective task (role-based) employees are being offered exactly the IT functions they need to process the business cases (role-based user interface – ROBASO). The users thus receive an improved menu, and the data quality within the IT procedures is being improved. Time-consuming changes and navigation between or within individual specialised procedures cease to exist. The decreased complexity thus gained leads to a more efficient execution of tasks. |
| <i>Service-oriented architecture</i> | The BA has a complex IT landscape with a variety of applications. Expert services from the individual IT procedures are required for the realisation of role-based user-interfaces. Expert services are being identified together with the experts. IT procedures are being transformed and disassembled according to this. Thus, new technical demands on the role-based user interfaces can be realised more quickly in the future. Comprehensive services, such as making appointments, have already been implemented and can be integrated directly into role-based user interfaces. |
| <i>Customary level of costs and performance</i> | In order to determine a customary performance and cost level for IT overhead costs, a market comparison was made. The objective is to become the best-performing and most effective IT service provider within public administration. All IT services are being listed in an IT catalogue of services for IT operation. To provide IT services, such as the administration of PC workplaces or the operation of IT procedures, service level agreements with customers are being made. In order to being able to make market comparisons, the appropriate prerequisites were created, for instance that the IT catalogue of services of the BA's Systemhaus is in line with the market. The first market comparison led to the following result: The major part of the IT unit costs is already at market level. For the other IT services the measures for the reduction of costs have been identified. Benchmarking is no one-time activity but is seen as a continuous improvement process (CIP). |

IT management makes sure that operative business fields of the BA receive the IT support they need for their business success. Holistic IT steering orients organisation and processes towards this objective. Efficiency and reliability of IT services are guaranteed with consistent, transparent and measurable IT processes. The basis for effective steering are objective key figures. The provision of IT services is thus monitored with meaningful and management-relevant key figures. The results are being published in the IT scorecard with their field scorecards for the individual fields within the IT.

Steering of IT based on key figures

Increase of Effect and Effectiveness when Utilising Measures in Basic Benefits

The evaluation of integration rates within basic benefits showed that the effect of promotion benefits and thus the utilisation of measures need to be improved. The budget committee of the German Bundestag linked the suspension of the qualified budget freeze in spring 2010 to the prerequisite that the benefits of basic benefits are utilised in a "more targeted and efficient" way leading to the regular labour market and that the Federal Government will provide a concept for this. An increase in the integration rate of at least five percentage points is expected for all of Germany. This includes a significantly strengthened orientation towards working effectively and economically when using integration instruments.

Budget committee expects increase in the integration rate by five percentage points by the end of 2011

The following four measures are to support the improvement of integration promotion:

- optimisation of measure management
- integration of the results from the BA effectiveness analysis (TrEffeR)
- introduction of a Förder-Check (promotion check)
- improvement of graduate management

With the Förder-Check, a checklist was provided to integration staff in joint agencies and employment agencies with separate duties which is supposed to help with deciding the suitable utilisation of measures.

Förder-Check supports suitable utilisation of measures

The demanded increase in the integration rate is being measured from the measures aiming directly at an integration in the regular labour market. This includes in the narrower sense the promotion of further vocational training, measures for activation and vocational integration (Section 46 SGB III), integration subsidies, integration benefit in case of employment liable to social insurance contributions and off-the-job vocational training. The increase in the integration rate is to be reached until the end of 2011.

Re-organisation of Basic Benefits

Following a verdict by the Federal Constitutional Court of 20 December 2007, the act on the further development of the organisation of basic benefits for job-seekers (Gesetz zur Weiterentwicklung der Organisation der Grundsicherung für Arbeitsuchende) of 17 June 2010 determines as standard organisation the continuation of joint execution of tasks of agencies and municipalities in "joint institutions". Besides that, an exclusive execution of tasks of municipalities is determined for a total of 108 units as alternative form of organisation.

*Transition does not affect
customers*

The BA together with the Federal Ministry of Labour and Social Affairs developed process manuals to guarantee a structured conversion process for the transformation into the respective form of organisation. On 1 January 2011, 340 joint agencies and one employment agency with separate duties were transformed into the organisation form of a joint institution with the name Jobcenter. Six joint agencies and one employment agency with separate duties were transformed into municipal institutions in Saxony and Saxony-Anhalt with the implementation of the administrative district reform (Kreisgebietsreform). The transformation process into joint institutions has been running smoothly so far and without affecting customers.

5. THE BA – AN INNOVATIVE EMPLOYER

5.1. Personnel Policy

For its innovative generation-spanning personnel policy, the BA was awarded the "International Innovative Employer Award 2010". The award evaluated and honoured the various measures with which the BA promotes life-long learning and balances the expectations and requirements in different phases of life with the demands of work (generation management). Also the measures for the promotion of variety with view to the customer requirements becoming more heterogeneously (diversity management) and the health and age-appropriate design of work were honoured.

International award for innovative personnel policy

With this personnel policy geared towards a new quality of work, the BA develops – especially against the background of the varied effects of the demographic change – numerous employment potentials and promotes competence, motivation and employability throughout the whole working life.

Equal chances and development of the potentials of women are of high importance. The 3rd equality plan of the BA, published in 2010, manifests the strategic framework programme. Family phases do not lead to a career setback. With a rate of women in management positions of 43.5 percent, 90 women (26.5 percent) in senior management positions and five women in top management positions responsible for managing (a total of 10) regional directorates, the BA is on a successful path to reach a rate of 30 percent of women in top management positions targeted for 2014.

Developing potentials of women

In 2010, a systematic evaluation of performance and competencies for all employees was prepared for the first time in accordance with the performance and development dialogue (Leistungs- und Entwicklungsdialog – LEDi). Thus, also the last stage of the LEDi was introduced as key component of the personnel development system of the BA. The individual competence profiles allow individualised development planning together with the respective employees. This always considers personal plans for work and life and pays attention to promote various competencies of different employee groups (diversity management).

Personnel development within the BA: performance and development dialogue introduced on all levels

In the third year since its introduction, the LEDi with managers has become a proven and established procedure. The development dialogue made it possible to identify and specifically promote persons with potential for management and special expert positions in good time – among others with regard to equal chances and promotion of women.

The performance evaluation is a decisive criterion for part of the remuneration of top-level non-tariff managers. Since 2010, managers with agreed wages receive following the respective collective bargaining agreement an annual performance premium, which is also calculated based on the level of achievement of objectives.

Performance is rewarded

5.2. Introduction of the BA-Lernwelt

*BA-Lernwelt introduced
successfully*

After conclusion of the project BA-Lernwelt on 31 March 2010, the official introduction of the learning platform in the Intranet for all BA employees took place in the summer of 2010. Already 53,000 users had registered in October. The reactions have been positive without exception and prove the high user-friendliness of BA-Lernwelt.

On this platform, a comprehensive spectrum of offers for self-learning are being made available, all qualification products of the BA management academy can be found there. The offer is being expanded continuously. Currently, more than 330 web-based trainings and roughly 70 other offers for self-learning (e.g. reader) are available. The implementation of BA-Lernwelt makes it possible to connect traditional classroom training with offers for self-learning (blended learning) and complement it with tutorials. For example the trainer qualification for basic benefits and the trainer qualification for employer service could be conducted very successfully. The challenges of the ERP project to realise trainings in the field of finances for more than 40,000 employees with 60 different modules for self-learning could only be met with significant support from BA-Lernwelt. Thus, BA-Lernwelt proved its worth in large-scale institutional qualifications and also in meeting individual demands. Additionally, the successful participation in the 10th e-government competition showed that BA-Lernwelt meets the demands of a modern administration.

5.3. Employee-Oriented Objectives

*Employee-oriented
objectives: new overall-
system since 2010*

Besides the business policy objectives, employee-oriented objectives were for the first time included in the level of achievement of objectives of each manager with a rate of 33 percent in 2010. This weighting accommodates the business policy intentions of the BA regarding employee orientation. It reflects the importance of the superior business policy objective "motivating, detecting and using potentials of employees".

ANNEX

Corporate Governance Report

1. Preamble

In the style of the Public Corporate Governance Codex of the Federal Government, the BA provides a Corporate Governance Report for the fiscal year of 2010. This report aims at making management and monitoring transparent and understandable.

The Executive Board and the Board of Governors of the BA declare in accordance with paragraph 6.1 of the Public Corporate Governance Codex of the Federal Government that the provisions of it were and are generally adhered to. Deviations are caused by legal provisions preceding the Public Corporate Governance Codex.

With the adoption of the third and fourth Law on Modern Services on the Labour Market (Gesetz für moderne Dienstleistungen am Arbeitsmarkt), the systematic separation of responsibility for the operative business through the business management and the control and consulting through self-government were determined. Thus, the Executive Board manages the BA and administrates its businesses. It represents the BA in and out of court. The rules and regulations of the Executive Board are liable to approval by the Board of Governors.

2. Management and Control Structure

2.1 Board of Governors

The institutions of self-governance are responsible for monitoring and consulting in all current questions of the labour market (Section 317 SGB III). To do so, they receive the information necessary to execute these tasks.

The Board of Governors monitors the Executive Board and the administration (Section 373 SGB III). It approves the budget drawn up by the Executive Board (Section 71a SGB IV). The strategic direction and the business policy objectives of the Federal Employment Agency are subject to approval by the Board of Governors.

The Board of Governors consists of 21 members. Each group can appoint up to five deputies. The Board of Governors consists in equal parts of representatives from employees, employers and public institutions. Replacement is only allowed in case of absence of a member. Representatives of public institutions cannot chair an institution of self-governance.

In accordance with Section 14 of the rules and regulation of the Board of Governors of the Federal Employment Agency, the Board of Governors formed two committees since November 2004 which hold initial debates on topics for the Board of Governors corresponding to the assignment of tasks: One committee I, dealing with strategic decisions, questions of budget and self-governance, and one committee II, dealing with questions of labour market policies, labour market

research and monetary benefits. Resolutions are reserved to the Board of Governors – i.e. the committees of the Board of Governors cannot decide for the whole plenum. The Board of Governors and its committees check the quality and efficiency of their proceedings. Both committees deal with topic-related audit results of internal auditing and of the Federal Court of Audit (Bundesrechnungshof) and thus take the role of an audit board.

To guarantee a continuous and timely cooperation with the Executive Board, the Board of Governors has formed a steering committee (Article 6 Subsection 5 of the articles of the Federal Employment Agency).

2.2 Executive Board

The BA's Executive Board manages the BA and administrates its businesses. It consists of one chairman/chairwoman and two other members (Section 381 SGB III). The chairman/chairwoman of the Executive Board determines the guidelines of the current business management while considering the objectives determined by the Executive Board with approval of the Board of Governors or agreed with the Federal Ministry of Labour and Social Affairs. He/she monitors the execution of the resolutions of the Executive Board and the adherence to the key points of the current business management. To do so, he/she has members of the Executive Board and managers report to him/her. Each member of the Executive Board is responsible for the business fields allocated to him/her, takes on the duties connected with this self-responsibly within the guidelines of business management and thus represents the Executive Board on the inside and the outside. All members of the Executive Board are equal regarding the execution of their duties. The management of the BA is effected through the Executive Board as collegial body. The chairman/chairwoman thus represents the Executive Board on the inside and on the outside.

The BA thus did not take out a liability insurance (directors and officers liability insurance) for the members of the Executive Board. No credits were granted to members of the Executive Boards or the monitoring body.

Furthermore, the members decided in 2004 to build an institutionalised risk management for the BA within the framework of corporate governance. The objective is the regular information of the Executive Board on existing and possible future risks. This knowledge allows the (preventive) planning of measures to secure the organisation. Every six months, a confidential report on risks within the BA is drawn up and presented to the committee of the Board of Governors by the chairman. The responsibility for the identification and planning of measures in case of risks still rests with the business units in the risk management system in accordance with the described management idea.

The prevention of corruption rests as part of the tasks of internal auditing directly with the Executive Board. The BA is a member of Transparency International.

The members of the Executive Board are designated by the Federal Government following proposal of the Board of Governors and appointed by the Federal President. The members of the Executive Board hold a public office. The tenure of the members of the Executive Board is five years. Several tenures are possible (Section 382 SGB III).

The remuneration of members of the Executive Board is based on contracted foundations arranged by the Federal Ministry of Labour and Social Affairs on behalf of the Federal Republic of Germany (Section 382 Paragraph 6 SGB III).

3. Members of the Institutions of Self-Governance

Members of the Board of Governors are appointed by the Federal Ministry of Labour and Social Affairs and members of the administration committees of the employment agencies by the Board of Governors on a legal basis (Section 377 SGB III). The institution responsible for appointment must consider women and men with the objective of equal participation in the groups. Employees and civil servants of the Federal Employment Agency cannot be members of the institutions of self-governance of the BA (Section 378 SGB III).

Authorised to proposals are the following: for the group of employees the trade unions that concluded collective bargaining agreements and their associations, for the group of employers the employer associations that concluded collective bargaining agreements and their associations that are of significant importance for representing employee and employer interests. Authorised to proposals for the members of the group of public corporations in the Board of Governors are the Federal Government for three members, the Bundesrat for three members and the head organisation of local authorities for one member (Section 379 SGB III). The tenure of members of institutions of self-governance is six years (Section 375 SGB III).

The appointed persons must execute their honorary office objectively and neutrally in compliance with legal regulations. They are not bound to instructions from the appointing organisations. Conflicts of interest regarding the honorary office are to be avoided. The Board of Governors generally recommends that a member discloses his/her concern if he/she sees himself/herself in a conflict of interests or fears bias regarding an upcoming debate.

No contracts for services of any sort were concluded with members of the Board of Governors.

4. Remuneration

4.1. Remuneration of the Executive Board

In the past year, the businesses of the BA have been managed by Mr. Frank-J. Weise (chairman of the Executive Board), Mr. Heinrich Alt (member of the Executive Board) and Mr. Raimund Becker (member of the Executive Board). The remuneration of the members of the Executive Board totalled to EUR 715,000 in 2010.

4.2 Remuneration of Members of the Board of Governors

The members of the Board of Governors were not remunerated. The Federal Employment Agency refunds the cash expenditures of members and grants a compensation of EUR 26 per conference day (Section 376 SGB III).

5. Accounting Control

The regulations of the Federal Budget Code apply by analogy to the preparation and execution of the budget as well as to other budgetary administration of the BA. The general bases of budgetary administration of the Federal Government must be adhered to (Section 77a SGB IV). The BA's annual accounting is controlled by the Federal Court of Audit.

Executive Board – Members

Frank-J. Weise

Chairman of the Executive Board

(in office since 19 February 2004; member of the Executive Board since 29 April 2002)

Heinrich Alt

Member of the Executive Board

(in office since 26 April 2002)

Raimund Becker

Member of the Executive Board

(in office since 19 February 2004)

Board of Governors – Members

(Date: February 2011)

■ ■ Group of Employees

Members

Dr. Wilhelm Adamy
Deutscher Gewerkschaftsbund

Michaela Rosenberger
Gewerkschaft Nahrung-Genuss-Gaststätten

Egbert Biermann
Industriegewerkschaft
Bergbau, Chemie, Energie

Dietmar Schäfers
Industriegewerkschaft Bauen-Agrar-Umwelt

Annelie Buntenbach
Deutscher Gewerkschaftsbund
(Deputy chairwoman until 30 June 2011)

Dr. Hans-Jürgen Urban
Industriegewerkschaft Metall

Isolde Kunkel-Weber
Vereinte Dienstleistungsgewerkschaft ver.di

Deputy Members

Elke Hannack
Vereinte Dienstleistungsgewerkschaft ver.di

Dr. Stephanie Odenwald
Gewerkschaft Erziehung und Wissenschaft

Dr. Stefanie Janczyk
Industriegewerkschaft Metall

Uwe Polkaehn
Deutscher Gewerkschaftsbund

Stefan Körzell
Deutscher Gewerkschaftsbund

■ Group of Employers

Bertram Brossardt

Vereinigung der Bayerischen Wirtschaft e.V.

Peter Clever

Bundesvereinigung der Deutschen
Arbeitgeberverbände
(Chairman until 30 June 2011)

Gerhard Handke

Bundesverband Großhandel, Außenhandel,
Dienstleistungen e.V.

Ingrid Hofmann

Bundesverband Zeitarbeit Personal-
Dienstleistungen e.V.

Wolfgang Bartel

Arbeitgeberverband Gesamtmetall

Valerie Holsboer

Bundesverband der Systemgastronomie e.V.

Dr. Lutz Mackebrandt

Bundesverband der freien Berufe

Walter Huber

Siemens AG

Holger Schwannecke

Zentralverband des Deutschen Handwerks

Dr. Jürgen Wuttke

Bundesvereinigung der Deutschen
Arbeitgeberverbände

Gabriele M. Walther

Allianz Deutscher Produzenten
Film & Fernsehen e.V.

Alexander Wilhelm

Bundesvereinigung der Deutschen
Arbeitgeberverbände

Members

Deputy Members

■ ■ Group of Public Bodies

Members

Dr. Bettina Bonde

Ministerium für Arbeit, Soziales und
Gesundheit des Landes Schleswig-Holstein

Thomas Pleye

Ministerium für Wirtschaft und Arbeit des
Landes Sachsen-Anhalt

Dr. Thomas Gerhardt

Bundesministerium der Finanzen

Prof. Eberhard Trumpp

Landkreistag Baden-Württemberg

Christoph Habermann

Ministerium für Arbeit, Soziales, Gesundheit,
Familie und Frauen des Landes Rheinland-Pfalz

Eva Maria Welskop-Deffaa

Bundesministerium für Familie, Senioren,
Frauen und Jugend

Dr. Elisabeth Neifer-Porsch

Bundesministerium für Arbeit und Soziales

Deputy Members

Verena Göppert

Deutscher Städtetag

Kerstin Liebich

Senatsverwaltung für Integration, Arbeit und
Soziales Berlin

Dr. Alexander Groß

Bundesministerium für Wirtschaft und
Technologie

Christiane Voß-Gundlach

Bundesministerium für Arbeit und Soziales

Martin Karren

Ministerium für Arbeit, Familie, Prävention,
Soziales und Sport des Saarlandes

Overview of the BA budget (contribution budget)

Amounts in billion EUR

| | Actual 2009 | Actual 2010 | Delta |
|--|---------------|--------------|--------------|
| Revenues | 34.25 | 37.07 | 2.82 |
| of this revenues from contributions | 22.05 | 22.61 | 0.57 |
| funding from the Federal Government for employment promotion | 7.78 | 7.93 | 0.15 |
| Expenditures | 48.06 | 45.21 | -2.84 |
| of this integration item | 3.63 | 2.89 | -0.74 |
| other services of active employment promotion | 13.18 | 12.09 | -1.09 |
| of this short-time allowance due to the economic situation | 4.57 | 3.06 | -1.51 |
| start-up grants | 1.58 | 1.87 | 0.29 |
| unemployment benefit I | 17.29 | 16.60 | -0.69 |
| insolvency benefit | 1.62 | 0.74 | -0.88 |
| integration contribution to the Federal Government | 4.87 | 5.26 | 0.39 |
| administration incl. remuneration for the cost of collection and SGB III – duties | 7.30 | 7.44 | 0.14 |
| Balance of the BA budget | -13.80 | -8.14 | 5.66 |

Rounding differences possible

Finances of basic benefit (spent by the BA)

Amounts in billion EUR without information from the authorised local authorities

| | Actual 2009 | Actual 2010 | Delta |
|---|-------------|-------------|-------|
| Expenditures | | | |
| Unemployment benefit II/social benefit | 19.54 | 19.46 | -0.08 |
| Municipal benefits | 11.92 | 12.00 | 0.08 |
| of this expenses for accommodation | 11.56 | 11.66 | 0.10 |
| Integration benefits | 5.03 | 4.98 | -0.05 |
| of this hiring grant (Section 16e SGB II) | 0.46 | 0.47 | 0.01 |
| discretionary support (Section 16f SGB II) | 0.05 | 0.10 | 0.05 |
| Employment packages for older people | 0.12 | 0.18 | 0.06 |
| Administration contribution by the Federal Government | 3.69 | 3.84 | 0.15 |

Rounding differences possible

Key labour market data

| | 2009 | | | 2010 | | |
|--|------------|------------|------------|------------|------------|------------|
| | Total | Women | Men | Total | Women | Men |
| Population 15 - 64 years ¹ | 54,103,000 | 26,795,000 | 27,308,000 | - | - | - |
| Gainfully employed persons ² | 40,271,000 | - | - | - | - | - |
| Persons employed in jobs liable to social insurance contributions ³ | 27,380,096 | 12,550,823 | 14,829,273 | 27,710,487 | 12,734,894 | 14,975,593 |
| Unemployed persons | 3,423,283 | 1,555,507 | 1,867,774 | 3,244,470 | 1,481,344 | 1,763,126 |
| Unemployment rate (total civilian labour force) in % | 8.2 | 7.9 | 8.4 | 7.7 | 7.5 | 7.9 |

¹ Regional accrual according to residence principle in Germany; preliminary results; end of December in each case, source: Federal Statistical Office

² Regional accrual according to the principle of place of work in Germany; preliminary results; end of December in each case, source: Federal Statistical Office

³ End of June in each case; data as of 2008 are provisional; regional accrual according to the principle of place of work

Unemployment

| | 2009 | | | 2010 | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | Total | Women | Men | Total | Women | Men |
| Job-seekers (annual average) | 5,965,084 | 2,773,505 | 3,191,572 | 5,766,007 | 2,682,840 | 3,083,167 |
| Unemployed persons (annual average) | 3,423,283 | 1,555,507 | 1,867,774 | 3,244,470 | 1,481,344 | 1,763,126 |
| of this without data of the authorised local authorities (zkT) | 3,139,846 | 1,415,284 | 1,724,562 | 2,969,646 | 1,346,226 | 1,623,420 |
| of this long-term unemployed persons | 932,733 | 475,008 | 457,725 | 939,559 | 454,605 | 484,954 |
| unemployed single parents ¹ | 279,373 | 256,951 | 22,422 | 264,177 | 242,902 | 21,274 |
| unemployed persons returning into employment ¹ | 92,395 | 90,959 | 1,435 | 78,580 | 77,260 | 1,320 |
| Increase unemployed persons (annual total) | 9,250,085 | 3,962,748 | 5,287,323 | 9,194,163 | 3,984,973 | 5,209,179 |
| of this from employment in the regular labour market | 3,448,838 | 1,240,644 | 2,208,192 | 3,136,600 | 1,162,330 | 1,974,268 |
| Decrease unemployed persons | 9,022,042 | 3,948,589 | 5,073,446 | 9,399,835 | 4,049,249 | 5,350,586 |
| of this to employment in the regular labour market | 2,640,174 | 1,012,553 | 1,627,621 | 2,937,002 | 1,075,171 | 1,861,831 |

¹ The data provided by the zkT could not yet be considered for these characteristics due to reasons of processing

Gainful employment and employment

| | 2009 | | | 2010 | | |
|--|------------|------------|------------|------------|------------|------------|
| | Total | Women | Men | Total | Women | Men |
| Gainfully employed persons ¹ | 40,271,000 | – | – | – | – | – |
| Persons employed in jobs liable to social insurance contributions ² | 27,380,096 | 12,550,823 | 14,829,273 | 27,710,487 | 12,734,894 | 14,975,593 |
| of this full-time employment | 22,165,271 | 13,959,646 | 8,205,625 | 22,306,043 | 14,052,339 | 8,253,704 |
| Marginally employed persons ² | 7,191,748 | 2,593,049 | 4,598,699 | 7,274,398 | 2,658,658 | 4,615,740 |
| of this persons only in marginal employment | 4,931,783 | 1,637,616 | 3,294,167 | 4,916,487 | 1,656,334 | 3,260,153 |
| Self-employed persons ¹ | 1,859,000 | 448,000 | 1,411,000 | – | – | – |
| Short-time workers (Section 170 SGB III) ³ | 1,078,367 | 234,567 | 843,800 | 476,707 | – | – |

¹ Regional accrual according to the principle of place of work in Germany; preliminary results; end of December in each case, source: Federal Statistical Office

² End of June in each case; data as of 2008 are provisional; regional accrual according to the principle of place of work

³ The annual average 2010 is calculated from the final monthly values January to June 2010 and the extrapolated values from July to October 2010; a differentiation according to sexes is not possible for extrapolated data

Employment liable to social insurance contributions according to branches of industry (WZ 08)

| | 2009 ¹ | | | 2010 ¹ | | |
|---|-------------------|------------|------------|-------------------|------------|------------|
| | Total | Women | Men | Total | Women | Men |
| Total | 27,380,096 | 12,550,823 | 14,829,273 | 27,710,487 | 12,734,894 | 14,975,593 |
| Agriculture, forestry and fishery | 218,551 | 71,456 | 147,095 | 220,759 | 71,598 | 149,161 |
| Mining, power and water supply, waste management industry | 550,909 | 106,691 | 444,218 | 553,052 | 109,223 | 443,829 |
| Processing industry | 6,369,407 | 1,601,064 | 4,768,343 | 6,256,234 | 1,579,316 | 4,676,918 |
| Construction industry | 1,572,227 | 203,739 | 1,368,488 | 1,605,110 | 206,127 | 1,398,983 |
| Trade, maintenance, repair of vehicles | 4,022,492 | 2,085,357 | 1,937,135 | 4,003,013 | 2,077,231 | 1,925,782 |
| Traffic and storage | 1,399,775 | 356,546 | 1,043,229 | 1,407,546 | 353,218 | 1,054,328 |
| Hotel and restaurant industry | 828,441 | 477,800 | 350,641 | 846,373 | 486,410 | 359,963 |
| Information and communication | 827,947 | 296,833 | 531,114 | 823,763 | 292,845 | 530,918 |
| Financial and insurance services | 1,003,335 | 562,544 | 440,791 | 998,424 | 560,866 | 437,558 |
| Economic services | 3,379,969 | 1,643,952 | 1,736,017 | 3,620,704 | 1,714,123 | 1,906,581 |
| of this employee assignment | 530,599 | 164,554 | 366,045 | 706,631 | 205,220 | 501,411 |
| Public administration, defence, soc. ins., ext. org. | 1,692,298 | 1,036,603 | 655,695 | 1,703,825 | 1,051,460 | 652,365 |
| Education and teaching | 1,071,282 | 716,504 | 354,778 | 1,096,728 | 735,177 | 361,551 |
| Health and welfare | 3,360,626 | 2,696,085 | 664,541 | 3,479,107 | 2,790,568 | 688,539 |
| Other services, private households | 1,079,616 | 694,359 | 385,257 | 1,092,354 | 705,380 | 386,974 |

¹ Date 30 June (Data as of 2008 provisional), regional accrual according to the principle of place of work

Reported vacancies

| | 2009 | 2010 |
|--|-----------|-----------|
| Reported vacancies stock ¹ | 300,516 | 359,038 |
| of this unlimited | 72,367 | 88,137 |
| limited | 228,148 | 270,902 |
| of this full-time | 230,401 | 280,089 |
| part-time | 60,855 | 67,990 |
| Reported vacancies increase ² | 1,618,252 | 2,017,216 |
| Reported vacancies decrease ² | 1,662,082 | 1,914,799 |
| Ended duration of vacancy in days ¹ | 61.7 | 55.6 |
| Aggregate vacancies ³ | 832,000 | 986,000 |

¹ Annual average

² Annual total

³ Source: Institute for Employment Research, 3rd quarter 2009/2010

Benefits of social security

| | 2009 | | | 2010 ⁴ | | |
|--|-----------|-----------|-----------|------------------------|----------------------|----------------------|
| | Total | Women | Men | Total | Women | Men |
| Benefit recipients total¹ | 5,926,267 | 3,136,758 | 2,789,511 | 5,963,862 | 3,122,695 | 2,841,167 |
| of this unemployed ¹ | 3,012,275 | 1,541,470 | 1,470,803 | 2,990,912 | 1,505,072 | 1,485,840 |
| Benefit recipients SGB III (unemployment benefit I) | 1,140,982 | 681,226 | 459,757 | 1,022,775 ⁵ | 614,534 ⁶ | 442,658 ⁶ |
| of this unemployed | 967,302 | 585,348 | 381,954 | 906,658 ⁶ | 532,139 ⁶ | 374,520 ⁶ |
| Benefit recipients SGB II | 6,725,152 | 3,390,672 | 3,334,481 | 6,719,086 ⁷ | 3,402,192 | 3,381,364 |
| persons capable of work but in need of support (eHb) | 4,907,759 | 2,505,230 | 2,402,529 | 4,899,442 ⁷ | 2,515,968 | 2,453,086 |
| of this unemployed persons eHb | 2,143,255 | 995,254 | 1,148,000 | 2,131,339 | 975,580 | 1,155,759 |
| gainfully employed persons eHb total | 1,324,809 | 726,603 | 598,206 | 1,380,544 | 749,568 | 630,975 |
| of this persons only in marginal employment | 481,781 | 289,192 | 192,590 | 507,685 ⁸ | 301,044 ⁸ | 206,641 ⁸ |
| Rate of support (SGB II rate) in % ² | 10.4 | 10.6 | 10.1 | 10.4 ⁷ | 10.6 | 10.3 |
| Rate of support (eHb rate) in % ³ | 9.1 | 9.4 | 8.8 | 9.1 ⁷ | 9.4 | 9.0 |
| Benefit communities (BG) | 3,558,562 | | | 3,585,862 ⁷ | | |
| of this single BG | 1,827,917 | | | 1,893,695 | | |
| single parents BG | 644,384 | | | 642,798 | | |
| BG couples without children | 439,536 | | | 437,051 | | |
| BG couples with children | 555,458 | | | 560,874 | | |

¹ Gainfully employed persons minus parallel recipients

² Persons in need of assistance in accordance with SGB II concerning the population under 65 years (date: 31 December 2009), source: Federal Statistical Office

³ Persons in need of assistance but capable of work in accordance with SGB II concerning the population from 15 to under 65 years (date: 31 December 2009), source: Federal Statistical Office

⁴ Preliminary annual average for the months of January to August 2010

⁵ Annual average contains final data from January to October 2010 and preliminary extrapolated data for November and December 2010

⁶ Preliminary annual average for the months of January to October 2010

⁷ Annual average contains final data from January to September 2010 and preliminary extrapolated data for October to December 2010

⁸ Preliminary annual average for the months of January to May 2010

Major labour market policy instruments (incl. zkT)

Persons on stock

Annual averages

Data from: December 2010

| | 2009 | | | 2010 | | |
|---|-----------|------------|----------|-----------|--------------|------------|
| | Total | Women in % | Men in % | Total* | Women in %** | Men in %** |
| Total of instruments¹ | 1,681,771 | 41.8 | 58.1 | 1,552,235 | 40.9 | 59.1 |
| Benefits supporting placement | 254,126 | 47.4 | 52.6 | 225,891 | 44.3 | 55.7 |
| of this participations in measures of activation and vocational integration | 131,760 | 45.0 | 55.0 | 223,542 | 44.3 | 55.7 |
| Qualification | 263,686 | 44.2 | 55.8 | 215,769 | 45.3 | 54.7 |
| of this further vocational training (FbW) | 198,104 | 45.3 | 54.7 | 189,528 | 47.0 | 53.0 |
| of this FbW during short-time work ² | 3,701 | 23.0 | 77.0 | 1,373 | 18.0 | 82.0 |
| Further vocational training of persons with disabilities | 17,620 | 38.7 | 61.3 | 17,448 | 38.7 | 61.3 |
| ESF qualifications during short-time work ² | 9,370 | 17.1 | 82.9 | 7,124 | 16.9 | 83.1 |
| Promotion of vocational training¹ | 356,349 | 39.3 | 60.7 | 372,466 | 39.5 | 60.5 |
| of this employment preparation measures | 67,600 | 42.2 | 57.8 | 65,311 | 41.3 | 58.7 |
| Vocational training of disadvantaged persons ² | 131,367 | 35.8 | 64.2 | 123,547 | 35.7 | 64.3 |
| Benefits during employment | 371,393 | 39.0 | 61.0 | 365,597 | 37.0 | 63.0 |
| of this promotion of dependent employment | 226,349 | 39.6 | 60.4 | 211,395 | 37.8 | 62.2 |
| of this integration subsidies | 136,259 | 40.8 | 59.1 | 122,201 | 37.7 | 62.3 |
| Hiring grant in accordance with Section 16e SGB II | 35,216 | 35.8 | 64.2 | 35,080 | 36.8 | 63.2 |
| Promotion of self-employment | 145,044 | 38.0 | 62.0 | 154,202 | 35.9 | 64.1 |
| of this start-up grant | 126,239 | 37.1 | 62.9 | 143,559 | 35.7 | 64.3 |
| Entry assistance – variant: self-employment | 12,216 | 38.7 | 61.3 | 10,643 | 38.4 | 61.6 |
| Employment creation measures | 338,300 | 41.3 | 58.7 | 311,476 | 41.1 | 58.9 |
| of this work opportunities | 322,018 | 41.2 | 58.8 | 308,631 | 41.0 | 59.0 |
| of this variant additional expenses | 279,251 | 41.3 | 58.7 | 261,923 | 41.0 | 59.0 |
| Other | 97,916 | 43.1 | 56.8 | 61,038 | 42.6 | 57.4 |
| of this individual rehabilitation-specific measures | 29,348 | 41.0 | 59.0 | 27,855 | 41.0 | 59.0 |

The latest available data is extrapolated on the basis of empirical values. This does however not apply to data from authorised local authorities (zkT), which limits the comparison to previous years just like the different completeness of the data provided by the zkT. Final statistic results on the utilisation of labour market policy instruments are only available after a waiting period of three months.

* Preliminary extrapolated data

** Preliminary non-extrapolated data (the shares are calculated from the data base of the preliminary, non-extrapolated data)

¹ Without vocational training assistance (BAB)

² Current extrapolation is not possible at the moment due to missing empirical values or for technical reasons; therefore, a comparison to values of previous years is only possible in a limited way.

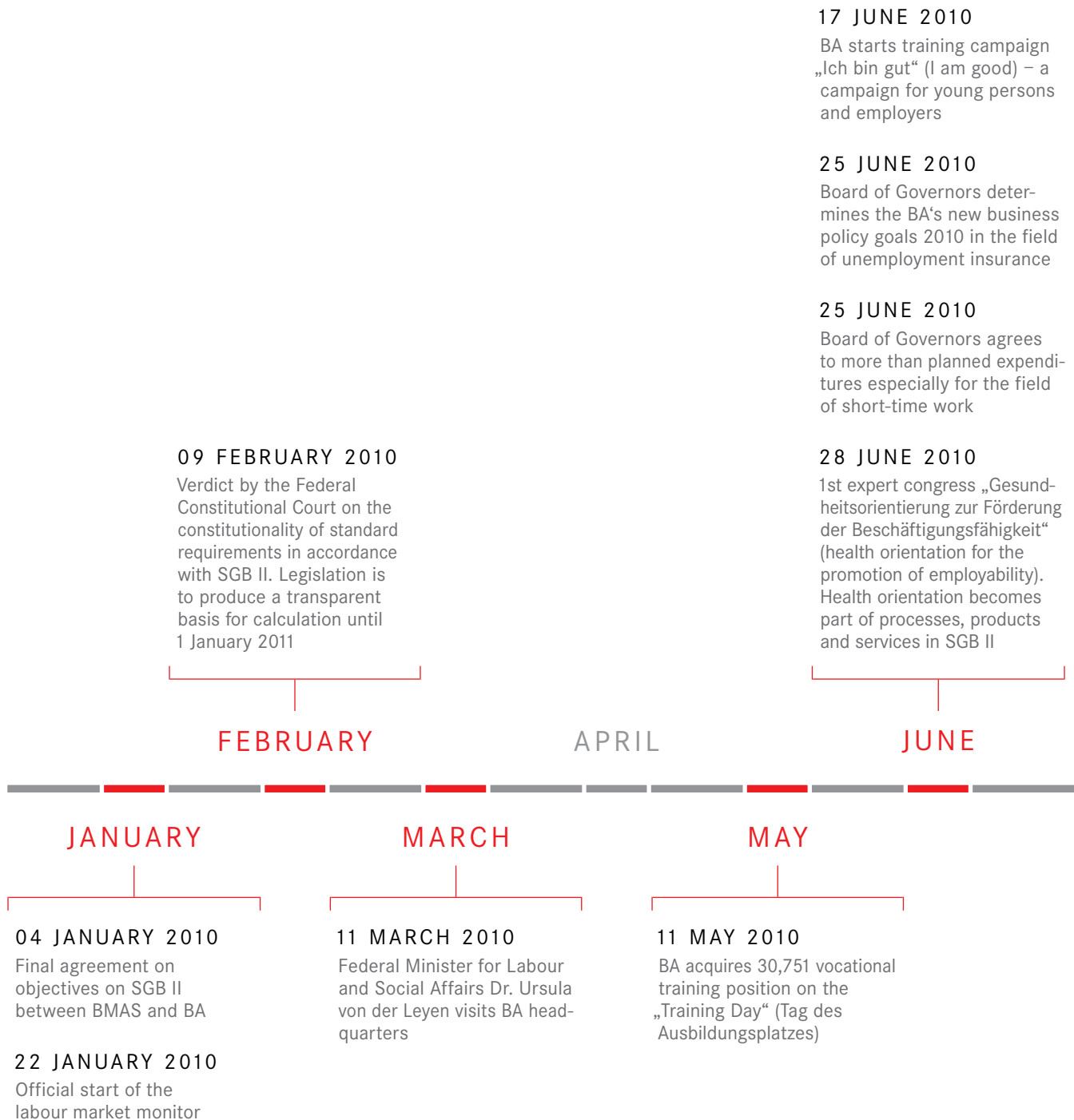
Training market

| | 2009 | | | 2010 | | |
|--|---------|---------|---------|---------|---------|---------|
| | Total | Women | Men | Total | Women | Men |
| Registered applicants ¹ | 555,460 | 296,298 | 259,162 | 552,168 | 301,534 | 250,634 |
| Applicants without employment until 30 September | 15,679 | 8,453 | 7,226 | 12,255 | 6,637 | 5,618 |
| Registered training positions ¹ | 475,391 | - | - | 483,519 | - | - |
| of this in-company | 408,439 | - | - | 425,633 | - | - |
| off-company | 66,952 | - | - | 57,886 | - | - |
| Vacant training positions until 30 September | 17,255 | - | - | 19,605 | - | - |
| Applicants per training position total | 1.2 | - | - | 1.1 | - | - |
| Newly concluded training contracts ² | 564,307 | | | 560,073 | | |

¹ Each October to September

² Source: Federal Institute for Vocational Training

MAJOR EVENTS IN THE FISCAL YEAR 2010



03 AUGUST 2010

Bundestag passes the act on the further development of the organisation of basic benefits for job-seekers (Gesetz zur Weiterentwicklung der Organisation der Grund-sicherung für Arbeitsuchende) ARGEs will be replaced by joint institutions as of 1 January 2011. The principle of provision of services from a single source remains

18 AUGUST 2010

Kick off workshop of the „work alliance youth and occupation“ (Arbeitsbündnis Jugend und Beruf) The goal is holistic assistance of young persons at the threshold between youth welfare service, vocational guidance and basic benefits

01 OCTOBER 2010

BA makes smart phone application available for www.berufe.tv

16 DECEMBER 2010

Board of Governors reconfirms the BA's budget for 2011 without considering the permit requirement by the Federal Government

16 DECEMBER 2010

Board of Governors agrees to the contents of the agreement on objectives between the Federal government and the BA on the implementation of SGB III

AUGUST**OCTOBER****DECEMBER****JULY****SEPTEMBER****NOVEMBER****12 JULY 2010**

„Faktor A“, the employer magazine by the BA is published for the first time

16 JULY 2010

New BA Board of Governors is formed. The new members were appointed by Federal Minister for Labour and Social Affairs Dr. Ursula von der Leyen

16 JULY 2010

Peter Clever is appointed Chairman of the Board of Governors, Annelie Buntenschubach is appointed Deputy Chairwoman

12 NOVEMBER 2010

Board of Governors discharges the BA's Executive Board from liability in respect of the financial year 2009

12 NOVEMBER 2010

Board of Governors approves the BA's budget for 2011

2010

AWARDS AND PRIZES

15 APRIL 2010

Groundbreaking in terms of energy saving: BA is awarded the Green IT showcase project of the Federal Government

14 JUNE 2010

BA is awarded Controller Award of the International Controller Association

25 JUNE 2010

planet-beruf.de is awarded the Comenius EduMedia Medal 2010 and the Erasmus EuroMedia Award 2010

24 NOVEMBER 2010

BA is awarded the International Innovative Employer Award

10 DECEMBER 2010

BA's JOBBÖRSE is awarded the Golden BIENE Award. BIENE is an acronym for „Barrierefreies Internet eröffnet neue Einsichten“ (Internet without barriers opens up new insights)

