

# Report on Research in Germany by EU-China Unemployment Insurance Project Research Group

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As scheduled by EU-China Social Security Cooperation Project, a visit on June 16-19, 2008 was arranged by Ministry of Labour and Social Security of China for a research on unemployment insurance system and employment promoting measures in Germany. The research group visited the Federal Ministry of Labour and Social Affairs, two Regional Labour Offices respectively in Berlin-Brandenburg and Saxony, local Labour Office of Leipzig, and two vocational training centres in Leipzig. As expected, the visit gave us a deeper insight into not only the unemployment insurance system, but employment promotion policies and measures, as well as their implementation in Germany. The result of our research is reported as follows:

## **1. Overview of Germany's Unemployment Insurance System and Employment Promotion**

Unemployment insurance was compulsory in Germany, the system of which was set up in 1927, later modified in Employment Promotion Law issued in 1969. The basics of the system are specified in the Third Book of Social Code.

Germany's employment rate is at 8.1% in March 2008, down by 1.4% compared with that in the same period of last year. However, there is an apparent regional disparity. Unemployment rates average 6.6% in the West, with developed regions such as Frankfurt and Munich seeing basically full employment. People there do not have to worry about their employment as long as they have certain kind of skill. Unemployment rates average 13.9% in the East, more than twice as high. For example, unemployment rate in Leipzig is as high as 15.2%. In certain regions of the East where unemployment rate is high, one out of three people are unemployed. In addition, people with different levels of education are facing unemployment risk of different degrees. While unemployment rate is less than 4% among those with higher education, lower than 10% among those who have received dual-system vocational education, it is about 25% among those who have received neither of them as well as those with out-dated skills.

Labour market policies and their implementation per se cannot create jobs. However, from a nationwide prospective it is one of the most effective ways to prevent unemployment to apply the Active Labour Market Policy (ALMP), including enhancing skills of labourers by organizing and providing vocational training, complemented by other policy elements. ALMP has a good prospect for balancing regional disparity in development and activating the unemployed, among other things.

### 1.1 Governing authorities and management of unemployment insurance

German Federal Parliament is responsible for legislating on unemployment insurance, including setting up the system of unemployment insurance (UI). Federal Ministry of Labour and Social Affairs (FMLSAs) is responsible for formulating social insurance policies (including UI policy) and making sure they are properly implemented. Federal Labour Office (FLO) and local Labour Offices are responsible for executing federal policies, including administration of benefit payments and of qualification review, and helping the unemployed to find a job. The Labour Office is not a government agency, but rather a body corporate managed in a systematic way.

FLO has a Board whose members come from employees, employers and FLO itself. Labour Offices of State and lower level have, as their highest decision making authorities, also such Boards, but with fewer members. Such an administrative setup is called "self governance" in Germany. These Boards are set up for three objectives: lowering unemployment, shortening unemployment duration and ensuring equal employment opportunity.

FLO has ten Regional Offices responsible for contact and coordination between the federal level and local level, and their jurisdictions are not decided by administrative division, but rather by economic areas. Therefore, one Regional Labour Office can cover two states. The next level down is local Labour Offices. Germany's Labour Offices of three levels employs about 90,000 staff.

### 1.2 Hartz Acts and establishment of Employment Service

The Federal Ministry of Labour and Social Affairs was under much pressure and criticism in 2001 and 2002 when Germany's unemployment rate stayed high. The Ministry was blamed by the public for its bureaucracy and inefficiency, and was accused of not fulfilling its responsibility for helping the unemployed. To address such situation, German Chancellor Schroeder set up a special Hartz Commission, named after its chairman Peter Hartz. Having fifteen members respectively representing employers, employees (Labour Union) and the federal government, the Commission was to review labour market policies, analyze existing problems and propose suggestions about counter-measures. It was not long before the Commission, on the basis of its detailed research, gave a report which was used by the federal government to bring about four acts, i.e. Hartz I-IV. Hartz Acts brought big impact and changes to the Federal Ministry of Labour and Social Affairs, including devolution and giving local Labour Offices wider scope of discretion so that they can execute employment promotion measures with consideration of local social and economic development, and use their budget at their own discretion.

Hartz IV came into force in January 2005, with its central concept being to give more assistance to the long-term unemployed (unemployment duration over one year), because they can become increasingly less active in pursuing employment as their unemployment duration prolongs and even might end up isolated from and not needed by the society. Therefore, to address employment difficulties faced by the long-term unemployed, various measures must be adopted to activate them. However, employment service for the long-term unemployed was charged by two separate agencies: Labour Offices are responsible for those long-term unemployed who are covered by UI and for their unemployment benefit payment; while local Social Welfare Offices are responsible for those long-term unemployed not covered by UI, mainly

those who are never employed, and for their unemployment assistance payment. These two separate functions were integrated by Hartz Act. Employment Service has been established jointly by these two agencies to provide both subsistence allowance and job opportunities for the long-term unemployed. Although Employment Service is in name a subdivision of Labour Office, it is jointly managed by Labour office and Social Welfare Office of local government, and its staff actually comes from both Labour Office and local government. According to related regulations, such joint leadership is expected to be changed by the year 2010; however, there has been no consensus on how it is to be addressed. The main task of Employment Service is to provide subsistence allowance for the long-term unemployed and help them with reemployment, if possible (see Table 1). Employment Service in Germany spends over 60 billion EUR each year.

Table 1 Benefits for the Long-Term Unemployed and Benefit Payment

Category		Previous payment	Previously paid by	Current payment	Currently paid by
Long-term unemployed	Not covered by UI	Social assistance	Social Welfare Office of local government	Subsistence allowance	Employment Service
	Covered by UI	Unemployment assistance	Labour Office		
Short-term unemployed	Unemployment benefit	Labour Office	Unemployment benefit	Labour Office	

### 1.3 Recipients, financing and benefit levels of Unemployment Insurance

Germany's unemployment insurance applies to, except otherwise specifically excluded by laws, all employees, including agricultural workers and household workers, but excluding temporary workers, short-time workers who work less than 18 hours per week, the self-employed and civil servants.

UI funds are financed by contributions of both employers and employees. The nationwide unified rate, currently 3.3% of wage base, is much lower compared with 6.5% two years ago, and is paid by employers and employees in equal proportion. The rate may be adjusted according to changes of demand in labour market and of unemployment rate. Each month the employers withhold the employees' share of the contribution and pay them together with their own share of the contribution to medical insurance providers, who will then transfer these contributions before the 15th day of each month to Labour Offices responsible for UI operation. All UI funds are in the end put together at FLO. A national pooling scheme is adopted for UI funds in Germany. In 2007 a total of 32 billion EUR was raised in Germany, and 36 billion EUR expended. In principle a balance should be maintained for UI funds, however, the federal government will grant financial subsidies to FLO in case of imbalance of receipts and expenditures. UI funds are mainly used for unemployment benefit payment and expenditures on employment promotion programs.

Two key factors are taken into account when UI contribution rates are determined: net income and having child or not. The latter has much bigger influence. UI contribution rate is about 67% of last net income, and is 60% for unmarried employees. Specific rates may vary, depending on duration of contribution and age of the unemployed.

Unemployment benefit is usually paid for a maximum period of twelve months, however can be extended to eighteen months for older people, and can be paid until retirement for those aged 58 or older. Compared with the maximum unemployment benefit duration of three years in the past, the present duration shortens much, which reflects a policy orientation towards encouraging the unemployed to find their jobs as quick as possible.

Labour Office will pay all pension insurance and medical insurance contributions for those who are receiving unemployment benefits. Contribution rates are the same as those for the employed and the contribution base equals to unemployment benefits they receive.

### 1.4 Recipients, financing and benefit levels of subsistence allowance

Management of subsistence allowance shows a little bit confusion as it is financed by government of federal, state and county levels. Subsistence allowance consists of living allowance and housing allowance, the former is provided by the federal government and the latter, together with children care, etc, is insured by the local government.

Subsistence allowance applies to not only the unemployed, but those employees with income lower than minimum living standard. There are mainly three categories of recipients: (i) those who are completely depending on subsistence allowance; (ii) those who have a full-time job but with wages lower than minimum living standard, the difference is provided by subsistence allowance; and (iii) those family with income per capita lower than minimum living standard even after receiving unemployment benefit, the difference is provided by subsistence allowance.

The benefit level of subsistence allowance is determined by local minimum living standard. The present individual minimum living standard in Germany is 347 EUR per month, combined with housing allowance and heating allowance, among other things, an individual can receive subsistence allowance up to 600-700 EUR per month. Housing allowance will be provided for a family with housing space per capita less than 30-40 m<sup>2</sup>. In addition, Employment Service will pay for recipients of subsistence allowance pension insurance and medical insurance contributions, which is currently fixed at 72 EUR per month.

### 1.5 The model of unemployment insurance plus subsistence allowance

Germany introduced a new system in 2005 to provide subsistence allowance for job seekers. Among the unemployed, one third who have paid UI contribution are entitled to unemployment benefit; the other two thirds are active job seekers, and thus enjoying subsistence allowance. Unemployment benefit is financed by UI funds. Subsistence allowance is financed by federal tax revenue, 70% of which is provided by the federal government and 30% or less provided by local government. There had been similar policies that provided unlimited

duration of benefit payment, but the present system encourages the unemployed to reintegrate into the labour market by their own efforts. That is to say the recipients must satisfy specific entitlement conditions to be qualified for subsistence allowance, the most important one being to actively seek employment.

Unemployment benefit is paid in different amounts to individuals, depending on their different situations, but usually higher than subsistence allowance. Subsistence allowance is paid to families. If a family of three unemployed members has only one of them receiving unemployment benefit and their income per capita lower than the minimum living standard, then the family is entitled to subsistence allowance in such an amount equal to the difference between their income per capita and the minimum living standard. Recipients of subsistence allowance can enjoy, among other things, living allowance, housing allowance and heating allowance. FLO has a special Unemployment Insurance and Subsistence Allowance Office, and is also responsible for formulating subsistence allowance budget. Unemployment benefit is paid to recipients by FLO, and subsistence allowance by Employment Service (see Table 1).

The combination of unemployment benefit and subsistence allowance provides a new social security model for the unemployed, helping prevent those who live under minimum living standard from plunging into poverty and encouraging those who are receiving unemployment and/or subsistence allowance to actively seek jobs and reemployment with such assistance.

## 1.6 Other employment promotion measures

### 1.6.1 Routine employment promotion work

It is run by Regional Labour Offices, mainly involving counselling and job referral, among other things, and also a major form of active employment promotion. Employment Service must in its operation comply with the following three principles: to understand need of customers (employees, the unemployed or employers), to separate special work from routine one, and to handle employees (the unemployed) and employers separately. These three principles decide the whole service process. Employment Service serves both employees and employers, and its service for employees involves the following steps:

First step, a customer may search information needed on the website of Employment Information Centre, and he/she can use its network to look for job vacancies free of charge. Employment Information Centre also provides other information and documents about training and employment.

Second step, the customer may call Employment Service for consultancy and counselling. Employment Service should based on important information provided by the customer make an interview appointment to answer all his/her questions.

Third step, the customer goes to the Labour Office. After being categorized, given introduction to service process and filling out some forms, he/she goes to the front area to record all related information, obtain detailed introduction to the services provided, and make an interview appointment with a career counsellor. The customer will on agreed date have a conversation with the counsellor for about 45 minutes, concerning all aspects related to his/her job hunting; and a written agreement which specifies duties and obligations of both the customer and the employment service agency will be concluded. At last, the customer will be provided such benefits as unemployment benefit and related service.

The services for employers include recording vacancies and consultancy, among other things. Generally each company has an employee specifically for contact with Employment Service. The service process for employers is similar to that for employees.

### 1.6.2 Orientations of federal employment policies

Active employment policies were adopted and enterprises are encouraged to hire the unemployed through such ways as subsidies. Such subsidies are granted to enterprises for their additional labour cost resulting from hiring the unemployed. Duration of such subsidies is generally half a year, and the amount should not exceed 50% of the remuneration. Enterprises that are receiving such subsidies are mainly based in the East where unemployment rate is high and the unemployed have lower level of education and vocational competence. In addition, the federal government also grants tax cut for such enterprises. And when such enterprises are forced to reduce working hours of employees or lower their payments due to financial difficulty, the federal government will also grant wage subsidies from active employment funds to insure full payment of employees.

As to the disabled, the federal government stipulates that all employers shall hire the disabled in a certain proportion; otherwise an employer shall pay each year for each disabled person it is supposed to hire.

### 1.6.3 Vocational training

Vocational training in Germany are financed from four sources. The first is that an employer and its employees jointly pay for the training cost; the second is subsidies to higher education institutions and specialized vocational schools jointly contributed by government of federal, state and county levels; the third is scholarships provided by private or national foundations; the fourth is projects sponsored by the European Social Fund. Training expense covered by Labour Office includes unemployment benefit payments, expense for further training, specific training and child-care, transportation and accommodation expense arising from training, and subsidies for enterprises to hire the unemployed, among other things.

Training centres set up by Labour Office have two objectives: one is to avoid unemployment and to shorten unemployment duration through training and reemployment; the other is to adjust employment structure and insure equal employment opportunity, including that of women and the disabled, etc.

Different training forms are provided: (i) basic training, which involves job seeking skills and preliminary knowledge about various industries, usually lasts for about two weeks; (ii) to receive training through practice at an enterprise, usually for about twelve weeks; (iii) the unemployed as substitutes for a certain period of time at an enterprise in case of any post vacancy when its employees are sent for study or training, in return training centres will grant the enterprise subsidies of a certain amount; (iv) to sponsor skilled workers in enterprises for training aimed at enhancing their capabilities, these workers can receive subsidies of a certain amount from training centres in addition to their wages; and (v) to sponsor employees older than forty-five in small enterprises (with employees less than 200) for on-the-job training to avoid unemployment, subsidies will be granted for their wages and training expense. The objectives of such forms of training are to better develop employee's careers, and through training to obtain necessary vocational certifications to facilitate their prospective job transfer or reemployment.

Training expenses and staff salaries are disbursed from budget of active labour market in UI funds and subsistence allowance. And subsidies from federal tax revenues will be granted if budget is overspent.

#### 1.6.4 Support to the unemployed

Hartz I notes that "what the unemployed are responsible for themselves" was not given enough consideration, therefore it suggests that the unemployed should be given support in many aspects, mainly in the following forms:

##### (a) Training Vouchers

While it was Labour Office to arrange the unemployed to participate in training, the training voucher scheme gives the unemployed the right to choose among training institutions and to choose the skill they want to learn, among other things. Labour Office identifies and writes on the training voucher the skill the unemployed need after both parties exchanged ideas about basic education, working experience, career planning and free flow of labour, etc. To insure expected training result, schools or institutions that provide training for the unemployed and their training programs must obtain certification from a third party. The unemployed may use training vouchers to pay their training at certified institutions.

##### (b) Job Referral Vouchers

The unemployed may resort to private employment agencies for reemployment besides Labour Office. And they can use job referral vouchers to pay employment agencies for their successful service. However, job referral vouchers can be applied for only when Labour Office has failed to help the unemployed find a job. The maximum face value of such vouchers is 2000 EUR.

##### (c) Encouraging business start-ups

A set of favourable policies were adopted to encourage the unemployed to proactively start their own business, including start-up subsidy, small loan, tax cut or exemption, etc. With respect to UI, the unemployed can continue receiving their unemployment benefit during the first nine months after business start-up, in addition to a monthly 300 EUR start-up subsidy. For the following six months, they are only entitled to the subsidy, without any unemployment benefit.

## **2. Key features of Germany's Unemployment Insurance System and Employment Promotion Measures**

### 2.1 A complete set of laws and regulations have provided necessary legal basis for UI schemes and employment promotion measures

Germany has a complete set of laws and regulations, according to which Labour Office has the following duties: providing consultancy for both employers and employees, providing training for the unemployed and helping them find a job, and paying unemployment benefit. The completeness of German law system can be seen from the fact that such duties are specified in about 450-460 laws and in related stipulations of another 10-15 laws. Moreover, the Third Book of Social Code specifies in its provisions of employment promotion detailed stipulations about unemployment insurance, including among other things its contribution rate and benefit levels. All these provide definite legal basis and basic norms for UI schemes and employment promotion measures.

### 2.2 Restrictive unemployment benefit eligibility conditions are imposed to active the unemployed to find employment

Both unemployment benefit and subsistence allowance impose restrictions to recipients' activities when they are paid, that is the recipients must voluntarily try to find employment by their own efforts. Unemployment benefit recipients and job seekers must sign an agreement with Labour Office to guarantee that they will make efforts to find a job. The key contents of the agreement include among other things: the unemployed must certify in the next interview that they have applied for at least three positions; training will be provided by Labour Office for the unemployed; if a job seeker refuses an offer of an appropriate position, he/she will be given such punishment as subsistence allowance reduction or suspension of unemployment benefit. Job seekers and unemployment benefit recipients will have to report to Labour Office their job seeking activities at required intervals; otherwise their unemployment benefit will be reduced or their entitlement might be removed, depending on specific circumstances. In addition, recipients of unemployment benefit or subsistence allowance must be cooperative with respect to training, employment counselling, job referrals, etc provided by Labour Office; otherwise they will also be punished.

### 2.3 Combination of passive and active protecting measures

Unemployment benefit or subsistence allowance was immediately provided if one became unemployed; at present, although unemployment benefit or subsistence allowance is still provided, the focus of the government has been shifted to providing such services as job referral, counselling and vocational training. Thus government efforts are increasingly shifting towards active employment promotion measures from passive payment of unemployment benefit.

Unemployment benefit and subsistence allowance in Germany are playing two key functions in promoting employment: (i) passive measures, i.e. paying unemployment benefit or subsistence allowance; (ii) active measures, including employment counselling, provision of training and job referral, etc, with the purpose of helping the unemployed to reintegrate into the labour market. Active measures and passive measures are combined and closely intertwined. Active employment promotion measures such as vocational training, employment counselling and job referral are included into the UI system, meanwhile proper pressure with respect to entitlement conditions, benefit level and duration of benefit entitlement is given to the unemployed to urge them to actively find employment. At present, among those who have found a new job after unemployment, one third get employed through their own effort, one third through counselling and information provided by Labour Office or Employment Service, and another one third through such employment promotion measures provided by Labour Office or Employment Service as vocational training. Average unemployment duration has been reduced to 36 weeks from about 40 weeks several years ago. Active employment policies are showing its effectiveness.

### 2.4 Employment promotion targets are set, and responsibilities, rights and interests are unified

In Germany FLO sets employment promotion targets each year on the basis of unemployment rates in different regions and labour market situation, specifying how many unemployed people should be able to find a job with its help during that year, and agreements on such targets are concluded with Regional Labour Offices after consultation. Regional Labour Offices will then break up such targets and conclude relative agreements with local Labour Offices and Employment Services. By this way, target fulfilment can be followed up level by level, problems met in fulfilling such targets can be timely analyzed and specific solutions be proposed. Local Labour Offices are granted a wide scope of discretion so that they can, with consideration of practical situation, decide their budget spending and bring about creative schemes to fulfil their employment promotion targets. According to such agreements, income of directors concerned is dependent on target fulfilment. If a Regional Labour Office fails to fulfil the target specified in the agreement with the federal government, salary of its chief director and vice directors will be lowered accordingly. A similar scenario happens between local Labour Office/Employment Service and Regional Labour Office. Working efficiency is enhanced and target fulfilment is insured by such a mechanism that breaks up federal targets down to lower levels and unifies responsibility, right and interest. It is a complicated task to promote employment through unemployment insurance system. Once employment promotion targets are set, responsible agencies must be given necessary measures and means to fulfil their task, most importantly a necessary mechanism that combines authority and interest, so that parties responsible can be fully mobilized to promote employment and their performance can be assessed and acknowledged. Germany has set up between different levels of government a mechanism that unifies personal economic interest, employment promotion targets and measures, and target fulfilment. Effective operation of this mechanism is playing an increasingly important role in fulfilling yearly employment promotion targets.

### 3. Experiences and Suggestions

We learnt from our visit that Germany's unemployment insurance system has been modified for many times since its establishment over 80 years ago. Especially since the execution of Hartz Act, in addition to subsistence allowance for the unemployed, a series of active employment promotion policies have been adopted to give more support to the weak-in-employment group. Many unemployed people, including the long-term unemployed, have been helped to get reemployed; and much experience has been obtained with respect to ALMPs. As China is reforming and perfecting its UI system, it is necessary to learn and benefit from successful practices of foreign countries. To this end, the following thoughts and suggestions are proposed:

#### 3.1 More legislative efforts should be made on unemployment insurance system and employment promotion

Germany has a complete system of laws on unemployment insurance and employment promotion. While China's Employment Promotion Law has been issued and implemented, there are few state regulations, especially regulatory documents of law nature in some areas covered by this law, including among other things unemployment insurance and labour market. These regulations or regulatory documents are too generalized in that some implementation policies are not detailed enough, thus ambiguity and deviance easily arise in their interpreting and enforcement. Such a situation easily causes regional disparity and has negative effect on future unification and regulation. Therefore, Germany's experience should be borrowed to perfect national laws and regulations on unemployment insurance, employment promotion and labour market, etc, and some regulations needed to be further specified to be more practicable to facilitate law-based government administration.

#### 3.2 Active policies should be adopted for unemployment insurance and employment promotion, and unemployment insurance and employment promotion should be combined

Germany has developed an orientation towards active policies on unemployment insurance and employment promotion. While the unemployed are still provided unemployment benefit or subsistence allowance, priority has been substantially shifted towards employment promotion. Many favourable support policies have been adopted to promote employment, including: those unemployed who are taking training courses can continue receiving living allowance and transportation allowance; those who start up their own business will be paid unemployment for another period of time until they have gained enough experience and their businesses have stabilized; for those who have become unemployed due to non-fulfilment of duty, their duration of benefit entitlement can be reduced or their benefit level lowered; for those who have found employment and have income higher than certain level, unemployment benefit will be suspended. To discourage staff cut in enterprises and stabilize employment, especially in time of slack economy or emergency, UI contribution of enterprises will be reduced or exempted, or subsidies for keeping existing staff will be granted to help enterprises reduce cost, maintain their operation and give employees more on-the-job training. Thus those enterprises in financial difficulty are helped to cut less employees and employment is stabilized. Meanwhile, as huge funds are put into employment promotion and is still rising year by year, UI has become increasingly closely related to employment promotion. In contrast, current UI policies in China have too many measures to insure subsistence. Measures to promote employment promotion, though do exist, are far from enough, compared with Germany. With respect to long-term trend, UI and employment promotion should be complementary to each other, the former being a means to insure subsistence of those who are temporarily unemployed, and the latter the fundamental solution that can help the employed with their subsistence, realize their value to the society and improve living standard of both themselves and their families. China should spend more UI funds on employment promotion, and employment promotion fund from UI funds and that from national finance budget should be pooled together as national employment promotion funds, so that UI can not only insure subsistence of the unemployed but promote their reemployment.

#### 3.3 Various measures should be adopted to encourage the unemployed to find a job and be supervised to insure effective implementation

With respect to encouraging the unemployed to find employment, Germany's such measures as giving training vouchers and job referral vouchers can be drawn for China. In fact, measures similar to training vouchers were adopted in recent years in some training programs and some regions to help laid-offs or rural surplus labour force to find employment. The key issue is how to supervise to make sure such training vouchers are used as expected. In Germany, Labour Office identifies and writes on the training voucher the skill the unemployed need after both parties exchanged ideas about basic education, working experience, career planning and free flow of labour, etc, so that the unemployed can receive necessary skill training at training institutions. Meanwhile, there can hardly find any case in which training vouchers or job referral vouchers are traded for cash. It is a result of both high citizen quality and effective supervision and restriction. To insure expected training result, training schools or institutions have to be certified by a third party, so do their training programs. In addition, FLO has detailed stipulations on duration and expense of training, among other things, so that it is impossible for such training institutions to overcharge the unemployed. Therefore, in drawing Germany's such regulations and practice as about training vouchers and job referral vouchers, the focus should be on quality of training and supervision of training effectiveness, so that limited training funds can be put into use to yield huge benefits

#### 3.4 All recipients of unemployment benefit or subsistence allowance should be organized to be prepared for employment

Although Germany's model of unemployment insurance plus unemployment assistance in past years insured subsistence of the unemployed, it also brought negative effect on implementation of labour market policies. In recent years, many restrictions have been imposed on recipients of unemployment benefit or subsistence allowance, most importantly being that recipients must be proactively prepared for job seeking. In this sense, both unemployment benefit and subsistence allowance are no longer economic assistance measures, but rather essentially subsidies for active job seekers. As observed by some German experts, under ALMPs, the time when the unemployed can live on assistance has gone, and the unemployed can possibly be entitled to unemployment benefit or subsistence allowance only by actively seeking a job. In China, a substantial part of those unemployed who are receiving unemployment benefit or basic cost of living allowances for urban residents are capable of working, and if timely organized into active job seeking programs, helped to enhance their ability to work,

and provided public welfare jobs created by the government, many of them can be reintegrated into the labour market. Thus not only their living standard is enhanced, but unemployment lowered, and state financial input to UI funds and basic cost of living allowance reduced. The funds saved can be used for the social disadvantaged group who need assistance most. By this way limited funds are made the best use, which will contribute to harmonized society.

Germany agencies concerned paid high attention to our visit. The FMLSA official in charge of international labour market and employment personally coordinated our visit. And the group members were deeply impressed by the carefully prepared lectures that, while covering a wide range of issues, have key points emphasized. And we received warm welcome each place we visited, especially at Regional Office of Saxony and local Labour Office of Leipzig in the East, where we were greeted by banners on which "Welcome Distinguished Guests from China" is written in Chinese. While visiting a training program in a training centre in Leipzig, we were greeted by all training participants in Chinese, which reflected not only their sincere feelings towards Chinese people, but also our host's sincerity and considerate preparations. And group members' careful listening and insightful questions impressed our host much.

Office of the EU-China Unemployment Insurance Project has done a lot of work for this investigation. The whole investigation was accompanied by the foreign experts and officers from the Office. For this, we would like to express our gratitude.