

THE FUNDING OF JOB CENTERS – STRUCTURES, DISTRIBUTION AND ADMINISTRATIVE COST BUDGET

Sarah Jahjah

University of Library Studies and Information Technologies

<https://doi.org/10.70300/TDHD7316>

Abstract: *The funding of job centers in Germany is based on a complex interplay between federal and municipal funds. A key financial instrument is the administrative cost budget, which covers the operational expenses of job centers and ensures their functionality. The funds come from both the federal budget and municipal contributions, with the exact distribution depending on various factors, including legal regulations and regional conditions. In addition to administrative costs, funding is allocated for employment integration measures and unemployment benefits (Bürgergeld). The distribution of funds follows a predetermined allocation and needs-based system, which is regularly adjusted. At the same time, job centers face challenges such as rising costs, regional disparities, and the need to optimize administrative processes. This article analyzes the financing mechanisms, existing problems, and possible reform approaches.*

Keywords: *Administrative Cost Budget; Labor Market; Job Centers; Policy*

INTRODUCTION

This article aims to systematically analyze existing published knowledge and information. From a methodological perspective, it employs a form of literature analysis. Generally, literature analyses can be described as summaries of existing knowledge. The focus of this research project is on already published works that are examined in relation to a specific research question. The value of such literature analyses lies in the accumulation and systematic examination of existing research on the topic.

This analysis particularly relies on publicly accessible sources from governmental institutions and research organizations, including reports from the Federal Audit Office, information from the Federal Ministry of Labor and Social Affairs, statistical data from the Federal Employment Agency, and current studies from the Institute for Employment Research (IAB). Initially, the current state of research and available information is reviewed. Finally, future prospects are considered.

RESEARCH METHODOLOGY

This article aims to systematically analyze existing published knowledge and information. From a methodological perspective, it employs a form of literature analysis. Generally, literature analyses can be described as summaries of existing knowledge. The focus of this research project is on already published works that are examined in relation to a specific research question. The value of such literature analyses lies in the accumulation and systematic examination of existing research on the topic.

This analysis particularly relies on publicly accessible sources from governmental institutions and research organizations, including reports from the Federal Audit Office, information from the Federal Ministry of Labor and Social Affairs, statistical data from the Federal Employment Agency, and current studies from the Institute for Employment Research (IAB). Initially, the current state of research and available information is reviewed. Finally, future prospects are considered.

RESULTS

The structure of labor market administration in Germany has undergone multiple changes over the past decades, with the Hartz IV reform in 2005 being a significant turning point. During the 1990s, social assistance was managed by municipalities, while unemployment benefits were administered by the Federal Employment Agency. With the introduction of Social Code II (SGB II), these systems were merged, and

newly established job centers became the main points of contact for employable benefit recipients. This reform not only altered administrative structures but also had profound effects on the financing of labor market policies, as federal and municipal funds were combined for the first time.

With the introduction of SGB II, a paradigm shift occurred: in addition to passive financial support, a stronger focus was placed on the active promotion of unemployed individuals. Since then, numerous adjustments have been made to the financing and management of job centers to increase the effectiveness of labor market measures and optimize administrative efforts. These adjustments have included changes in fund distribution and the introduction of new control mechanisms for evaluating the success of job centers.

Funding Structure of Job Centers

The funding of job centers is based on several key pillars that cover different areas of responsibility:

1. Integration Funds

These funds are intended for the active promotion of unemployed individuals and include a wide range of measures to improve employability, such as:

- **Training programs:** Funding for qualification programs to enhance job prospects.
- **Employment subsidies:** Financial incentives for companies to hire long-term unemployed individuals.
- **Integration programs:** Initiatives such as the “Job Turbo”, aimed at accelerating the integration of specific groups, such as refugees.

2. Administrative Cost Budget

These funds cover the operational expenses of job centers, including:

- **Personnel costs:** Salaries and training for employees to ensure professional counseling and job placement services.
- **Material costs:** Expenses for rent, office equipment, IT systems, and administrative infrastructure.
- **Digital infrastructure:** Investments in modern job-matching platforms and AI-supported job placement systems to improve efficiency.

3. Municipal Funds

Municipalities primarily cover costs for housing and heating (KdU) under § 22 SGB II, which constitute a significant portion of total expenditures. Additionally, they finance various social services under § 16a SGB II, including:

- **Debt counseling** to support recipients with financial difficulties.
- **Addiction counseling** to help individuals overcome substance abuse issues that hinder employment.
- **Psychosocial support** for individuals with special social or psychological challenges.

4. Special Programs

In addition to regular funding structures, there are temporary special programs financed by the federal government or federal states, targeting specific groups such as:

- Long-term unemployed individuals facing significant employment barriers.
- Single parents requiring specialized support programs.
- Refugees needing specific qualification measures.

5. European Funding

Another important funding source is European funds, particularly from the **European Social Fund (ESF)**, which finances projects to enhance qualification and labor market integration for disadvantaged groups.

CONCLUSIONS

Demographic changes pose major challenges for labor market policies in Germany. An aging population leads to rising social expenditures as more individuals become dependent on social benefits. At the same time, the shrinking workforce increases demands for labor market placement and qualification programs. To address these developments, sustainable funding and management strategies for job centers are required.

One critical factor for the future of job centers is **digitalization**. The increased use of artificial intelligence

and automated processes could improve administrative efficiency and optimize workforce deployment. AI-driven job-matching systems and digital advisory platforms could tailor individual support measures more precisely to the needs of job seekers. However, implementing such solutions requires significant investments in IT infrastructure and employee training.

Given upcoming elections in Germany, job center funding is becoming an increasingly important political issue. The growing demand for labor market services and qualification programs increases financial requirements. Some political stakeholders advocate for increased federal funding to ensure adequate support for benefit recipients and strengthen job centers for future challenges. Others propose a **results-oriented funding approach**, where job centers receive funding based on measurable success indicators, such as sustainable employment rates.

Another debated issue is the **privatization of certain labor market services**. Increased cooperation with private providers could introduce innovative concepts for labor market integration. However, strict quality controls would be necessary to prevent profit-driven models from undermining labor market policy goals.

To ensure the long-term efficiency and effectiveness of job centers, **comprehensive reforms** in funding and management are essential. A stable and needs-based financing model should regularly adjust administrative cost budgets to actual requirements, particularly considering rising personnel and administrative costs. Investments in **digitalization and automation** should be expanded to improve efficiency. Additionally, **closer cooperation between labor market policies and educational institutions** could help bridge qualification gaps.

Overall, the funding of job centers will remain a central issue in the German labor market policy in the years to come. A sustainable model must balance public investments, digital transformation, and targeted labor market support to ensure that job centers remain effective and adaptable to future challenges.

REFERENCES

BUNDESRECHNUNGSHOF, Hohes finanzielles Risiko für den Bund bei den Leistungen für Bildung und Teilhabe 2023, https://www.bundesrechnungshof.de/SharedDocs/Downloads/DE/Berichte/2023/risiko-teilhabe-volltext.pdf?__blob=publicationFile&v=3 (Abruf 21.01.2025).

BUNDESMINISTERIUM für Arbeit und Soziales, Organisation der Jobcenter, 2023 <https://www.bmas.de/DE/Arbeit/Grundsicherung-Buergergeld/Organisation-der-Jobcenter/organisation-der-jobcenter.html> (Abruf 21.01.2025).

BUNDESAGENTUR für Arbeit, Einnahmen/Ausgaben, https://statistik.arbeitsagentur.de/SiteGlobals/Forms/Suche/Einzelheftsuche_Formular.html;jsessionid=B24874563F949201B370616C581BF954?nn=21442&topic_f=arbeitsmarktpol-instrumente-ausgaben-amp-sgbii (Abruf 21.01.2025).

IAB INSTITUT für Arbeitsmarkt- und Berufsforschung – Jobcenter sagen, ihnen fehle Geld für Personal und Arbeitsförderung, 2025, <https://www.iab-forum.de/jobcenter-fuehrungskraefte-sagen-ihnen-fehle-geld-fuer-personal-und-arbeitsfoerderung/> (Abruf 21.01.2025).

ФИНАНСИРАНЕ НА БЮРАТА ПО ТРУДА – СТРУКТУРИ, РАЗПРЕДЕЛЕНИЕ И БЮДЖЕТ ЗА АДМИНИСТРАТИВНИ РАЗХОДИ

Резюме: Бюрата по труда в Германия се финансират чрез различни механизми, които се координират както на федерално, така и на общинско равнище. Основен елемент на това финансиране е бюджетът за административни разходи, който покрива оперативните разходи на бюрата по труда. В настоящата статия се анализират произходът на финансовите ресурси, тяхното разпределение и ролята на участващите институции. В нея се разглеждат също така предизвикателствата и подходите за реформи, които имат за цел да осигурят устойчивост на финансирането на бюрата по труда в бъдеще.

Ключови думи: бюджет за административни разходи; пазар на труда; бюро по труда; политика

Сара Жажа, докторант
Университет по библиотекознание и информационни технологии
E-mail: sarah.jahjah2@outlook.de