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Nonprofit organizations as active player in the German labor market

# LABOR MARKET INTEGRATION – SUCCESS FACTOR CIVIL SOCIETY

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# LABOR MARKET INTEGRATION IN GERMANY

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## 1. Labor market integration and Nonprofit Organizations

### THE ROLES OF NONPROFIT ORGANIZATIONS (NPOs)

In the context of labor market integration, NPOs perform various functions whereby two functions matter most for this report about the German situation. On the one hand, they are significant employers themselves. According to the most recent figures presented in this report, NPOs generate more than three million jobs in Germany: jobs which are subject to social insurance contributions. On the other hand, 44,000 NPOs act as important intermediaries and qualifiers and help people to enter the labor market. Alongside these two explicit roles, NPOs also undertake tasks such as acting as key stakeholders to represent certain interests. They offer social meeting places and consequently facilitate societal integration and teach skills relevant for professional life. However, this report focuses on their role as employers on the one hand and as intermediaries and qualifiers on the other hand with a special focus on an empirical analysis.

## 2. NPOs as employers

### MORE THAN THREE MILLION JOBS

The most recent evaluation of Germany's business registry highlights the importance of the non-profit sector for the labor market once again. Through an analysis conducted within this project in cooperation with the Federal Statistical Office, the number of places of employment subjected to social security contributions provided by NPOs can be demonstrated: Of more than three million people employed within this sector close to two million are in the healthcare and social service sector alone. This means that in Germany 1 in every 10 employees works in the non-profit sector, which can be explained in relation to the German welfare state model and its tradition on relying on nonprofit organizations as institutional partner for social services.

## AN ECONOMIC FORCE

The German economic model would not work without corresponding framework conditions. Unemployment in general, and youth unemployment in particular, is mitigated through a close network of organizations. Adherence to the subsidiarity principle and its legal base is crucial in this context. Other research such as the European Third Sector Impact project points out the strength of the sector by calculating the theoretical costs of voluntary and unpaid activities to show its financial equivalent. Instead, our data specifically accounts for remunerated work. We talk about real jobs for people who have to pay real bills. In conclusion, the following points should be considered for Germany:

- » The non-profit sector is an important subset of Germany's labor market structure in and of itself.
- » The healthcare and social services comprise the largest industry branch within this sector.
- » The professional NPO sector is an economic force often underestimated in policy debates.

NPOs do not solely act as employers. As a heterogeneous group of civil society organizations they also provide a diverse range of professional training and qualification measures which facilitate labor market integration – directly as well as indirectly – for those who make use of these offers. Interestingly, NPOs often focus on specific societal groups, such as people with a migration background or socially disadvantaged individuals. They often go where the challenges are.

## 3. NPOs as intermediaries and qualifiers

### 44,000 ORGANIZATIONS ACTING AS INTEGRATOR TO THE LABOR MARKET

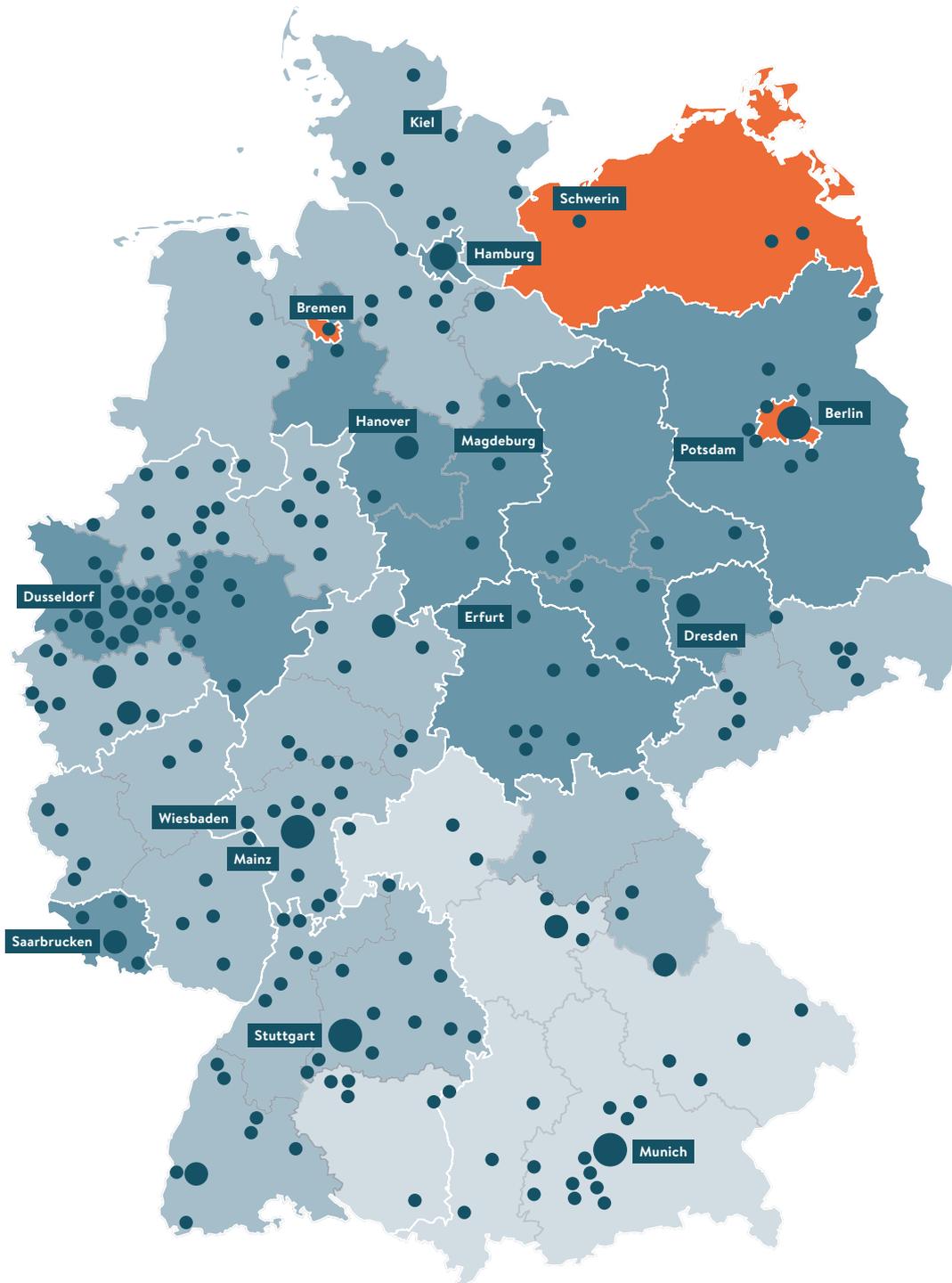
More than 630,000 associations, foundations, non-profit limited companies and cooperatives exist in Germany. Depending on the definition of these organizations, between 44,000 and 76,000 of them offer labor market-relevant services. If we systematically compare this set of organizations to other NPOs, the data shows that their emphasis is more often placed on distinct target groups – often those groups which are neglected by mainstream business and public sector offers.

76,000 German NPOs are involved in labor market integration issues in the broad sense. This accounts for 12 percent of the total non-profit sector. They offer various kinds of training and qualification measures. In contrast, 44,000 organizations fall under the definition of labor market integration in the narrow sense. This means they directly offer labor market-relevant programs, including for example job application training. This amounts to 7 percent of all NPOs in Germany. This is roughly the same

**TABLE: KEY LABOR MARKET INTEGRATION INDICATORS, ZIVIZ-SURVEY 2017**

Labor market integration in the narrow sense	“assistance in labor market integration”
	“professional development and qualification measures”
Labor market integration in the broad sense	“general training and qualification measures”
	“language training and language support”

FIGURE 1: UNEMPLOYMENT AND LABOR MARKET RELEVANT NPOS



Source: ZiviZ-Survey 2017. Note: This is an explorative analysis explained in the following paragraph.

number of NPOs as for all leisure and social activities together. The following analysis focuses on those NPOs which fall into the narrow definition of providing labor market integration.

These organizations are distributed across Germany in varying degrees. The relative number of organisations supporting labor market integration correlates with population density, yet this pattern does not hold when compared to unemployment rates. Example: In Baden-Wuerttemberg, a state with low unemployment, 8.5 percent of the non-profit organizations work in the sector, whereas in Mecklenburg-Western Pomerania, despite of nearly 9 percent unemployment, only 4.7 percent of the NPOs work in that area. The data shows that the work of nonprofit organisations in Germany is not only demand driven, even when it comes to labor market integration. Local needs do play a role but there seems to be many more reasons for these NPOs to exist.

The map shows an exploratory analysis. It is presented in black conurbations where the surveyed groups of nonprofit organizations tend to be geographically concentrated. However, this placement is based on the sample, not on the absolute organization numbers. The federal states and administrative districts and the percentage of unemployed people aged between 15 and 74 in percent are colored. The darker the postal code regions are colored, the more pronounced the unemployment is. Apart from Bremen and Berlin with high unemployment rates, two larger regions also have particularly high unemployment, Saxony-Anhalt and Mecklenburg-Western Pomerania.

## 4. The three main types of intermediaries

This study focuses on labor market relevant NPOs in an attempt to shed light on the factors which account for the main differences of clearly distinguishable NPO clusters in this area. The ZiviZ-Survey provided the indicators for the following cluster analysis:

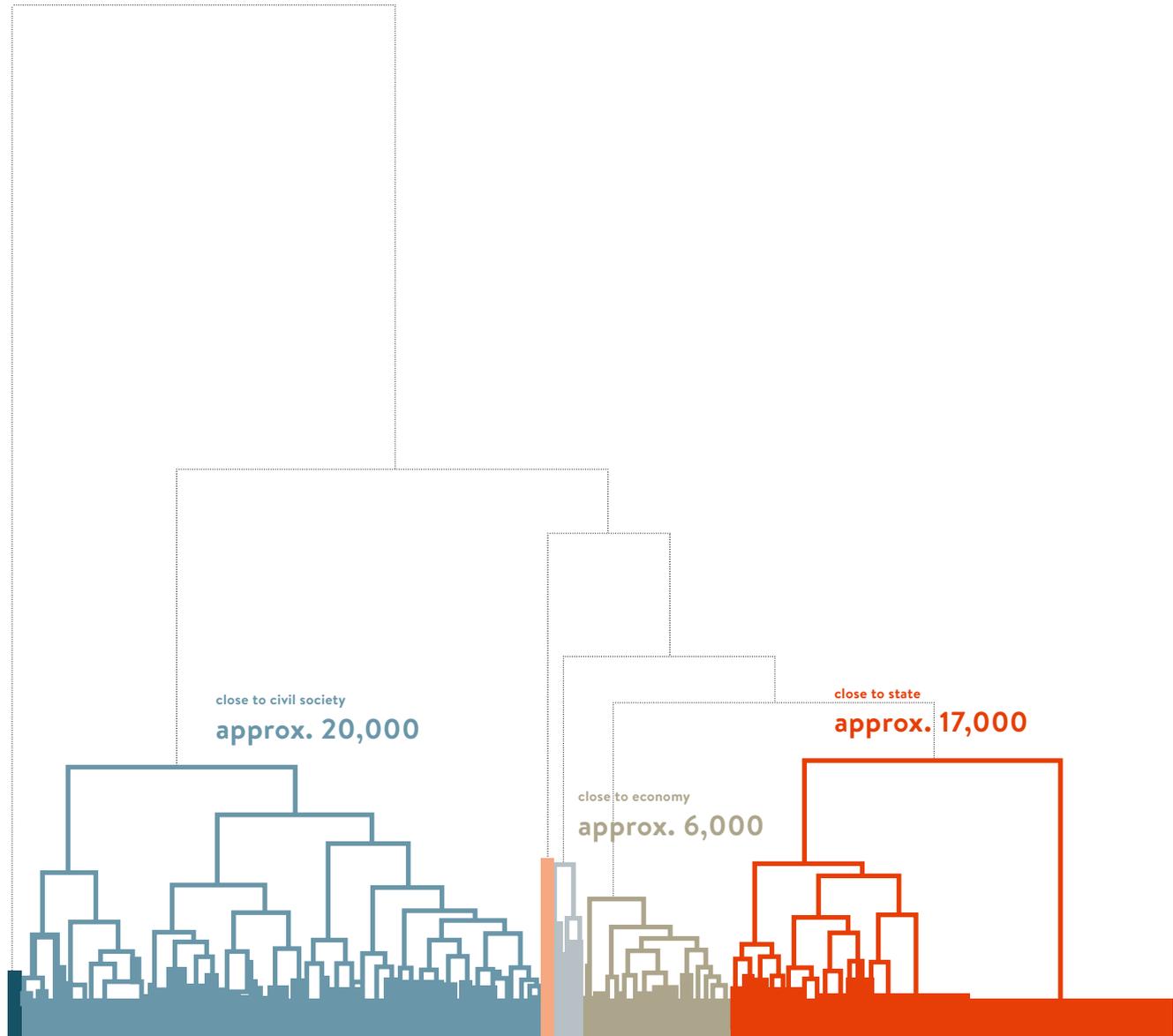
- » Age of the organization
- » Legal form of the organization
- » Member and personnel structure
- » Financing and revenue structure
- » Scope of activities and regionalism
- » Area of assignment and sector
- » Target groups
- » Self-description of the organization
- » Cooperation with state administration and businesses

### UNDERSTANDING QUANTITIES

Three main types emerge. In Germany about 6,000 organizations fall within the beige cluster which is close to the economic sphere. Interestingly, almost none of these organizations act on the basis of volunteers. Rather 88 percent see themselves as social entrepreneurs and 91 percent explicitly provide services in the sense of products they offer. The typical organization is a nonprofit legally organized as gGmbH run by professionals offering a clear market demand oriented service. The red cluster is close to the government and goes hand in hand with the German welfare-state traditions. Roughly 17,000 NPOs fit in this cluster of which the majority are state financed. 70 percent of these organizations report that socially disadvantaged people fall within their main target group. Lastly, the grey cluster is close to German civil society in the sense of a realm created by engaged citizens. This constitutes the biggest cluster, with 20,000 – on average smaller – organizations. It can be described as civic plurality: About

**FIGURE 2: DENDROGRAM WITH THE THREE MAIN CLUSTERS**

Number of Organisations



Source: computation on the basis of the ZiviZ-Survey 2017.

20 percent choose for themselves the category social entrepreneur (“Sozialunternehmer”) and merely 13 percent act on the basis of paid employees. Cooperation with the business community and public administration is low, self-organization high.

## 5. So what?

Neither the German economy nor the German education and integration system could work without associations, foundations, non-profit organizations and cooperatives. This report therefore shows the strength of these organizational networks for a functioning labor market in Germany. This model sometimes labeled as “German model” is based on a path dependant tradition of subsidiarity, a principle to ensure that social problems are tackled as closely as possible to the citizen. However, if we put the institutional view aside, what is the perspective of users of existing labour market integration offers? What impact on their life exists? These questions should not be tackled on the basis of a standardised impact measurement, but taking into account different organizational roles and functions. Only in this way can we do justice to the diversity of non-profit approaches.

## About

This project aimed at expanding the NPO-analysis of the ZiviZ-Survey 2017 to better understand the scope and scale of non-profits’ engagement in labor market integration in Germany. ZiviZ is a Think-and-Do-Tank within Stifterverband. Stifterverband is a joint initiative started by companies and foundations – the only one in Germany to be devoted entirely to consulting, networking and promoting improvements in the fields of education, science and innovation. To date, it is the only organization in Germany to engage in holistic work in all three areas, with projects that build on one another with synergistic effect. The more comprehensive German version of this analysis can be downloaded at [www.stifterverband.org](http://www.stifterverband.org) or [www.ziviz.info](http://www.ziviz.info)

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