

Activation! Or de-activation?
Intensity and effects of activating strategies among
older recipients of minimum income benefits in
Germany

Martin Brüssig, Matthias Knuth

Institut Arbeit und Qualifikation

University Duisburg-Essen

The global financial crises and new governance of labour market policies

RESq-Conference

Copenhagen, June 24-25, 2010

Structure of the paper

- (1) Background and motivation I and II
- (2) Data
- (3) Independent and dependent variables, descriptive statistics
- (4) Multivariate correlation between activation and target variables (entry into employment, exit from benefits) (regression analysis)
- (5) Discussion

Background and motivation

Labour market policy towards older unemployed: Between a rock and a hard place

- Pro activation
 - Social integration through system integration
 - Utilization of labour potential in a shrinking and ageing society
 - Cost considerations (unemployment, pensions)
- Against activation
 - To counteract pressure from the supply side of the labour market
 - Motivation of older unemployed with a pension in close reach
 - Cost-benefit considerations and priorities („integration is too expensive“, „case overload for street-level agencies“)
- Germany: Since ca. 1998, focus shifted to the „pro“-side:
 - Pension reforms (closure of early retirement, restructuring of incapacity pensions)
 - Labour market reforms (extending work search obligations, shortening duration of unemployment benefit)
 - However largely missing: enabling labour market policies

Background and motivation: Research question

- Several studies about effects of labour market programmes
 - Training programmes: Schneider, Uhlendorff 2006; Bohlinger 2007
 - Job creation schemes: Söstra et al. 2006; Caliendo et al. 2005;
 - Other programmes: Bernhard et al. 2007; Stephan, Ruppe 2009
 - Often controlled for age, but not analysed for age
 - Controlled for: Are programme effects influenced by the age composition of the sample?
 - Analysed for: Do the programmes work the same way for younger and older unemployed?
- **Research question of our paper**
 - Are older unemployed activated like younger unemployed?
 - Are the results the same?
 - Going beyond programme participation, including activation in the relationship between client and case manager.

Data: CATI-survey among recipients of MIB (ALG II)

- Content of the survey
 - Sociodemographic characteristics
 - (un-)employment career, benefit recipiency career
 - Activation, programme participation
 - Employability
 - Additionally: regional characteristics, organizational characteristics of local PES
- Sample
 - recipients of *Minimum income benefit* (ALG II) (age 15 to 64; not necessarily unemployed)
 - in 154 German jobcenter regions (of ca. 440; descriptive statistics extrapolated for Germany)
 - Two waves: Winter 2007 and Winter 2007/08
 - 11,108 persons included

Dependent and independent variables, descriptive statistics

Table 2: Activation in the population under investigation

	Age		58 and over	
	35 to 49	50 and over	Relaxation of conditions for payment of benefits	No relaxation of conditions for payment of benefits
	%	%	%	%
Counselling interview	69.5	62.5	43.3	47.9
Job seeker's agreement	48.8	41.0	18.5	22.8
Job offer	27.3	21.1	9.8	13.4
	%	%	%	%
Penalty	8.0	5.2	5.7*	5.2
Training programme	39.8	25.4	7.2	13.3
Job creation measure	26.0	25.7	5.7	16.4
Entry into employment	18.4	9.4	2.8*	7.4
Exit from benefits	16.5	11.7	20.3	8.2

* fewer than 30 cases

Source: Client Survey, extrapolated to the FRG, own calculations

- Benefit recipients at age 50+ get less activated than those at age 35-49.
- Less activation both in terms of services and programme participation.
- Strong age effect even within those between 50 and 64 years.
- Even more so if under 'relaxed conditions for payments of benefits' which dispense from job search (eligible from age 58).
- Less chances to enter employment / exit benefits for those at age 50-64.

Correlation between activation and outcome variables (entry into employment, exit from benefits) (regression analysis)

Table 3: Factors influencing entry into employment/exit from benefits (35-49 year olds, 50-64 year olds)

Variable	Entry into employment		Exit from benefits	
	35-49	50-64	35-49	50-64
Activation index				
1 measure ^a	0.149*	0.013	0.155*	-0.048
	0.080	0.079	0.081	0.076
2 measures ^a	0.216**	0.104	0.167**	0.094
	0.076	0.078	0.078	0.075
3 measures ^a	0.331***	0.222**	0.270***	-0.070
	0.092	0.109	0.095	0.114

^a Activation index: counselling interview, job seeker's agreement, job offer. Coefficients, standard errors and significance levels are shown. ***, ** and * refer to significance levels of 1, 5 and 10 percent. Client survey, own calculations

- Controlled for: Health, gender, child <3y in h`hold, single parent, handicapped, migrant background, regional labour market situation.
- Highly significant influences among control variables on outcomes:
 - *for older and younger persons*: subjective health (-)
 - *for younger persons only*: gender (female: -), child 3y (-), labor market situation above average (+).

Discussion

- Much more activation of older jobseekers necessary to get an effect on labour market integration – in contrast to younger jobseekers.
- No effect of activation on exit from benefits – due to 'automatic' exit (sooner or later) from benefits into pension without activation.
- Contradiction between institutionalised requirements towards older benefit recipients and factual opportunities of PES to support them.
- Two possible pathways:
 - More and customized activation (taking e.g. health problems and discrimination into account; even anticipatory ('pro-active'))
 - Accepting heterogeneity among older people without a job (job seeking, pension-oriented, limited employability)
- synchronizing political thinking and offers / opportunities of activation

Table 3: Factors influencing entry into employment/exit from benefits (35-49 year olds, 50-64 year olds)

Variable	Entry into employment		Exit from benefits	
	35-49	50-64	35-49	50-64
Activation index				
1 measure ^a	0.149*	0.013	0.155*	-0.048
	0.080	0.079	0.081	0.076
2 measures ^a	0.216**	0.104	0.167**	0.094
	0.076	0.078	0.078	0.075
3 measures ^a	0.331***	0.222**	0.270***	-0.070
	0.092	0.109	0.095	0.114
Subj. health	-0.125***	-0.197***	-0.114***	-0.145***
	0.030	0.030	0.030	0.028
Women/Man	-0.209***	-0.087	-0.030	-0.016
	0.066	0.063	0.065	0.061
Child<3 in h'old	-0.209**	0.609*	-0.182*	-0.052
	0.098	0.335	0.101	0.415
Single parent	0.069	0.130	-0.298***	-0.160
	0.071	0.150	0.074	0.162
Handicapped	-0.132	-0.035*	0.096	0.090
	0.101	0.090	0.097	0.084
Migrant/migrant background	0.112	0.013	-0.090	-0.073
	0.068	0.075	0.072	0.074
Regional labour market situation				
Above average	0.312***	0.067	0.209***	0.147*
	0.070	0.074	0.072	0.074
Below average	-0.021	-0.165*	-0.046	-0.030
	0.070	0.075	0.071	0.073
Constants	-0.557***	-0.607***	-0.739***	-0.778***
	0.129	0.124	0.131	0.120
N	2745	2971	2745	2971
r ²	3.2	3.6	2.7	1.9

^a Counselling interview, job seeker's agreement, job offer (reference category: none of these). Coefficients, standard errors and significance levels are shown. *, ** and *** equate to the standard significance levels of 10, 5 and 1 per cent.

Source: client survey, own calculations.