

# Long-term unemployment in Germany – structure and policy evaluation

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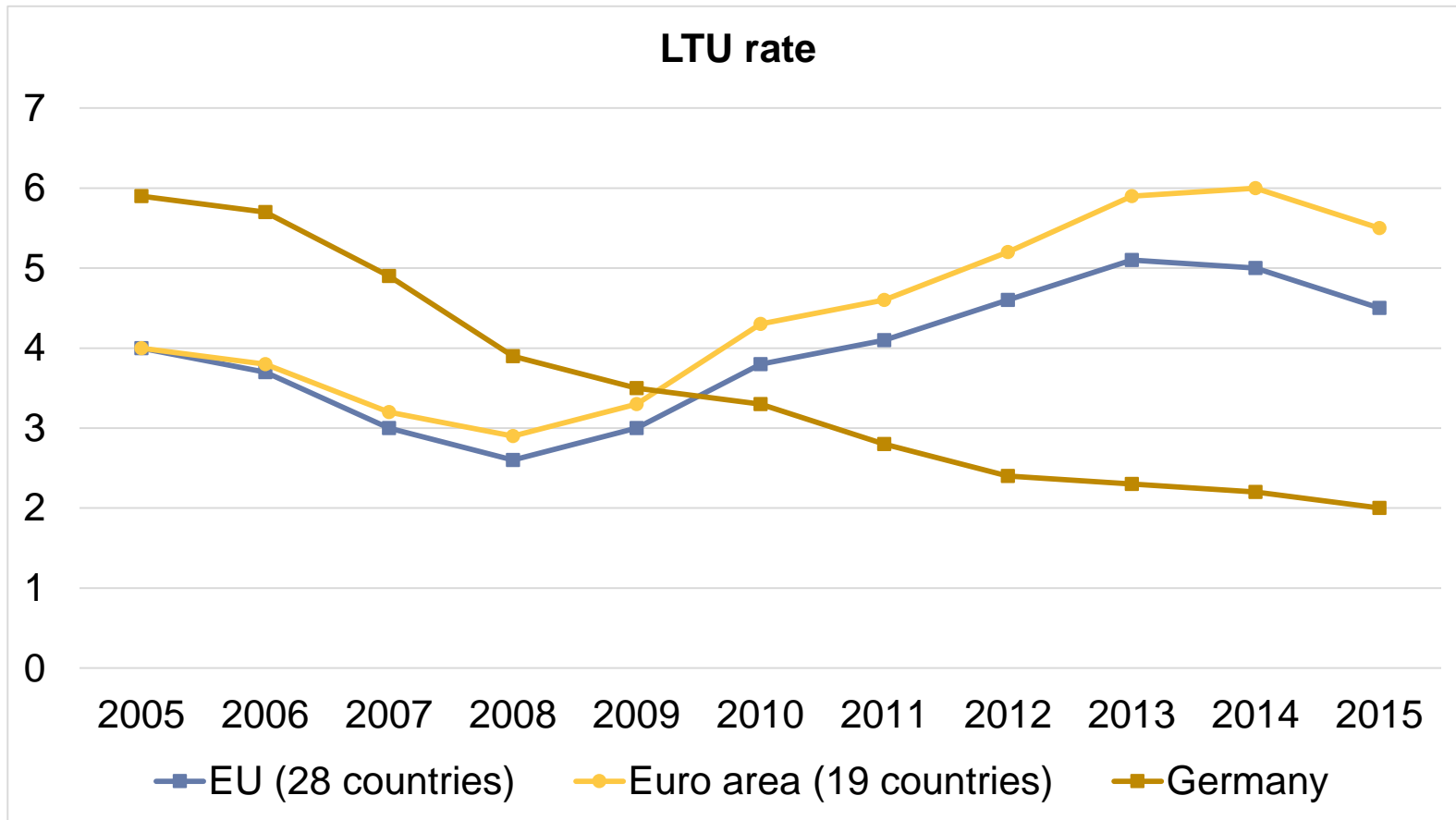
- Long-term unemployment (LTU) increased during the economic crisis in Europe and persisted on a high level.
- Negative consequences of persistent LTU:
  - Transition rates into employment decrease with unemployment duration.
  - Negative consequences for individuals: decline of human capital, health/psychological problems, poverty and social exclusion
  - High societal costs: health system, social protection system, decreasing matching efficiency
- Reducing LTU has become a major policy concern in Europe.

## Topic of this talk



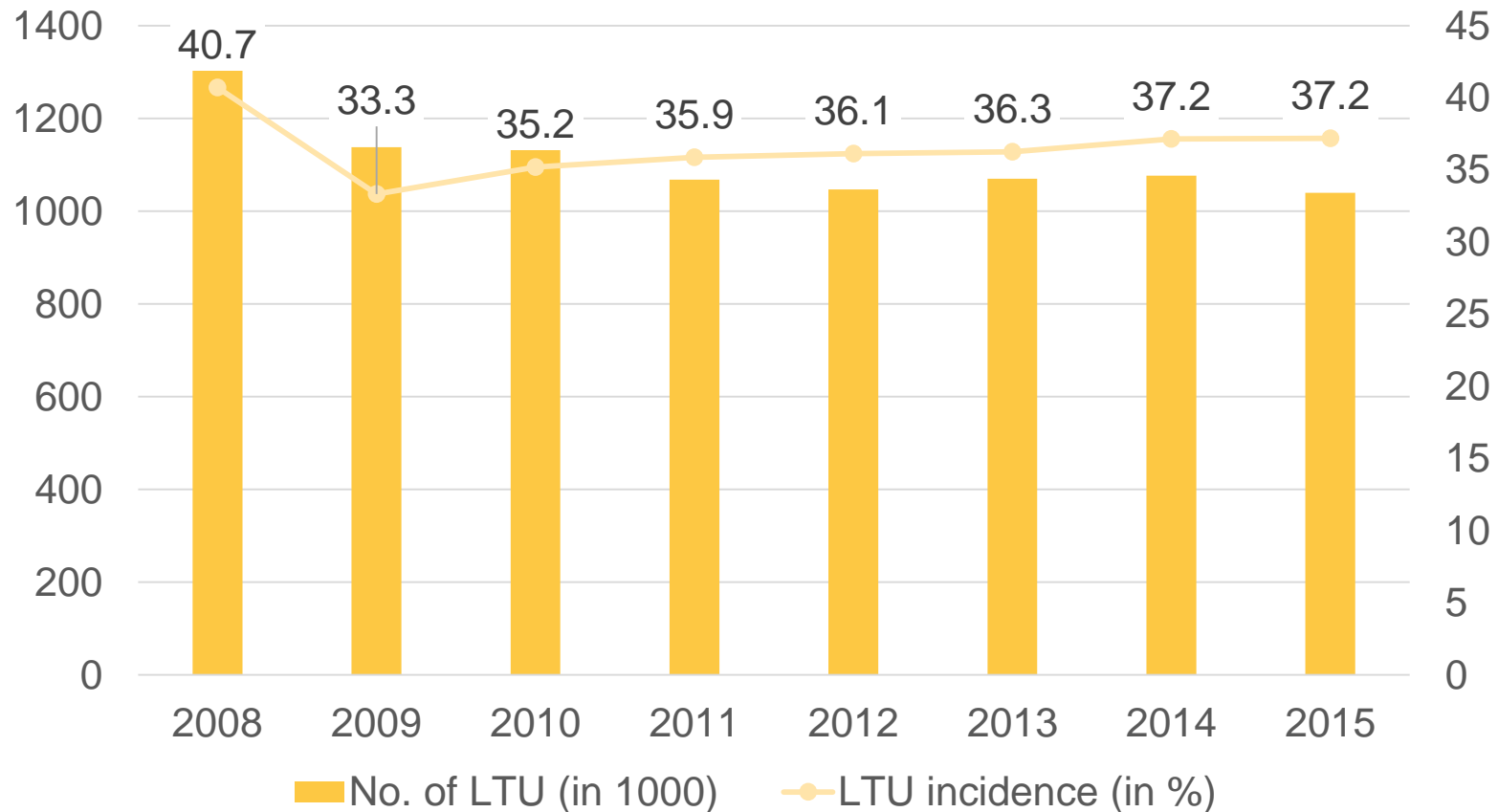
- Structure and recent development of LTU in Germany
- Effects of ALMP participation on employment prospects of long-term non-employed welfare recipients in Germany

# The LTU rate increased in Europe from 2008 to 2013 after the Great Recession.



Source: Eurostat; LTU rate as % of the active population aged 25 to 74 years.

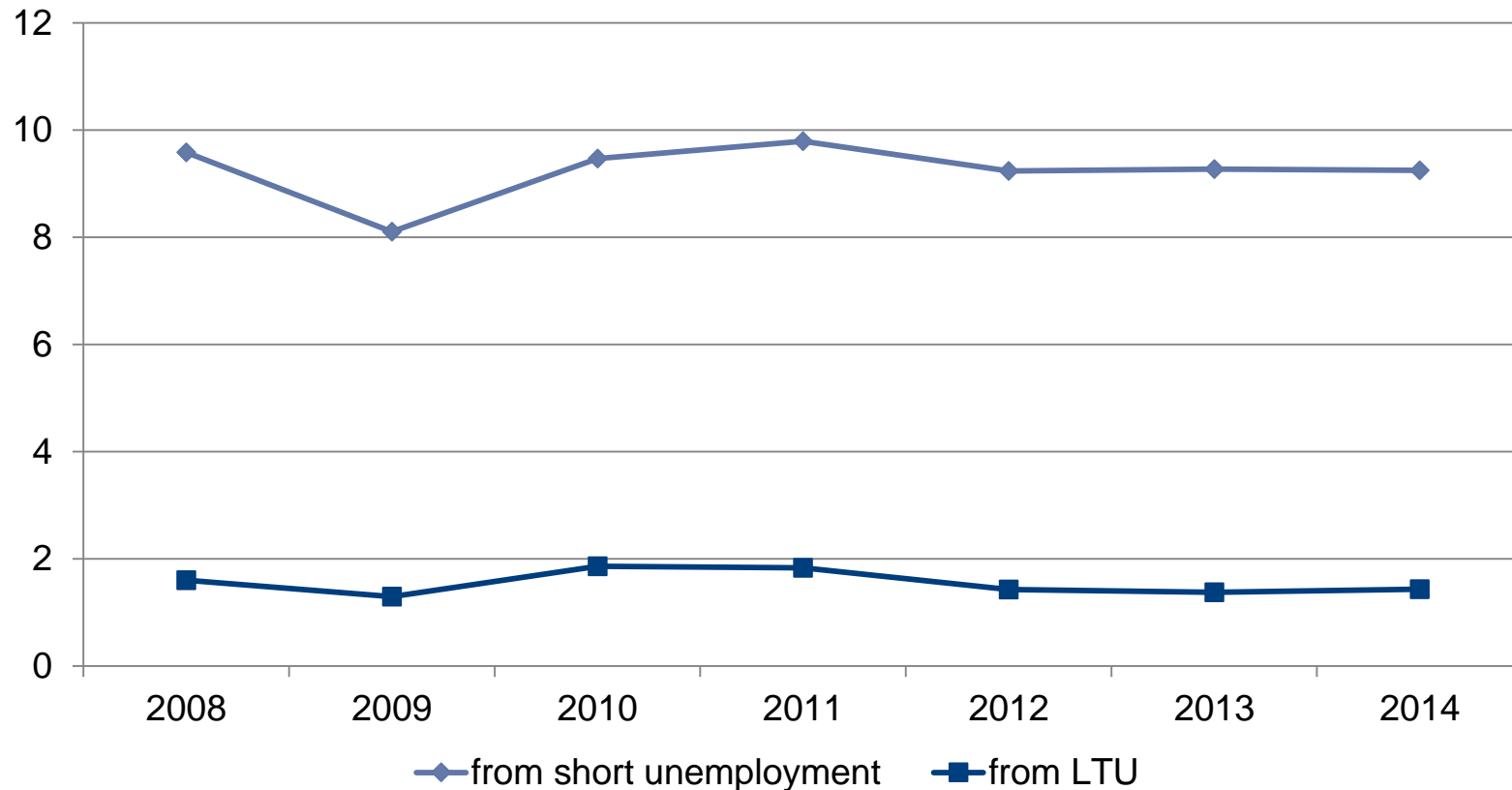
# LTU in Germany is more or less stable since 2011.



Source: Federal Employment Agency (2016); registered unemployment.

# Take-up rates of regular jobs are lower for long-term unemployed.

Take-up rates of regular jobs (annual average)



Source: Bruckmeier et al. (2015); Exits from registered unemployment into regular jobs in % of the unemployment stock of the previous month.

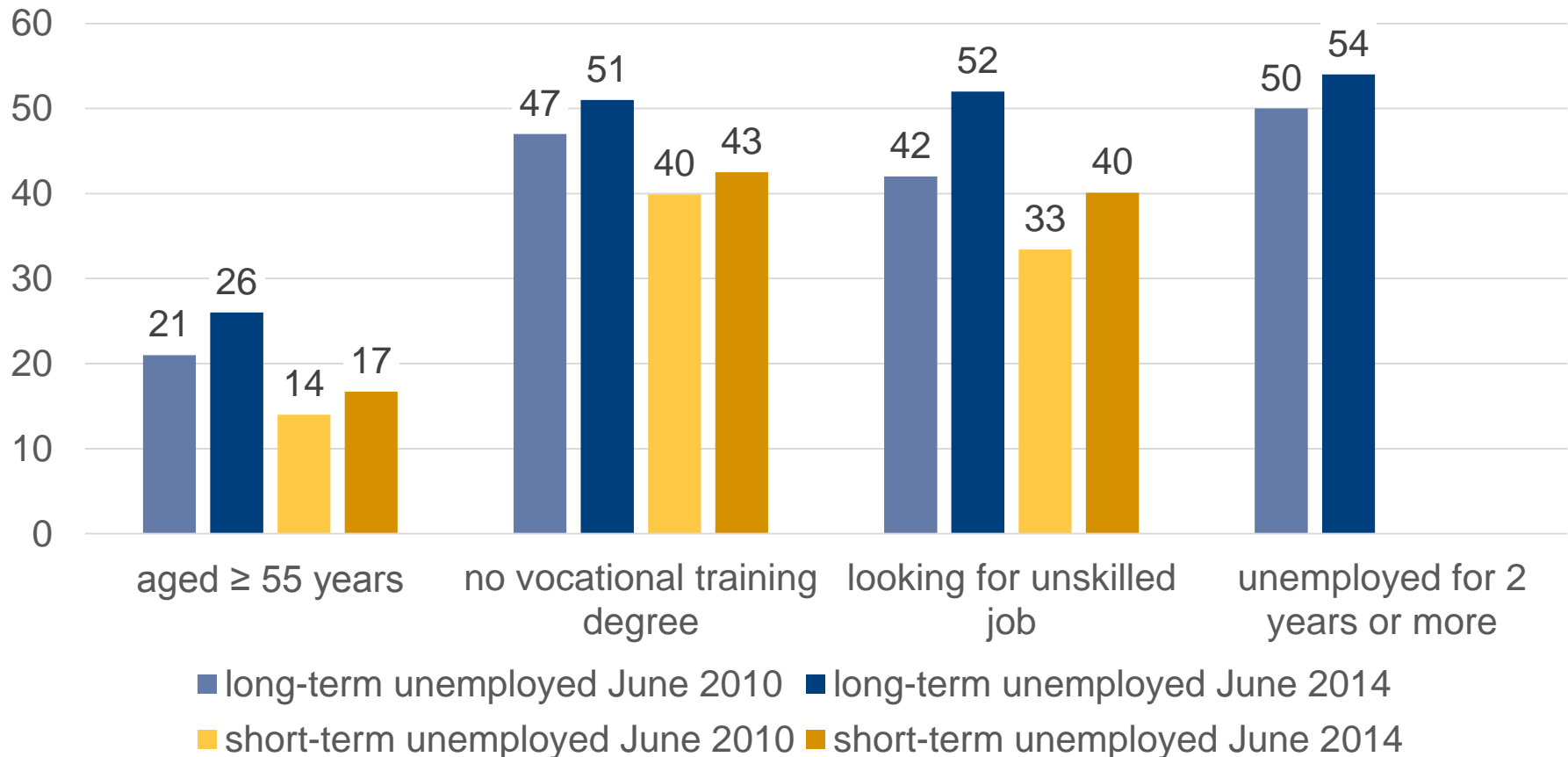
# Chances of leaving welfare for work decrease with the existence of certain characteristics.



- The following factors are negatively associated with the probability of leaving welfare for a regular job (Achatz/Trappmann, 2011; Beste/Trappmann, forthcoming):
  - No vocational degree
  - Age of 51 years or above
  - Health problems
  - Insufficient knowledge of German language
  - Long-term welfare receipt
  - Providing informal care for children or elderly
- Most welfare recipients have two or more employment obstacles.
- Chances of leaving welfare for work decrease with every additional obstacle.

# Structure of LTU: Tendency towards less favourable characteristics

Selected characteristics of long-term and short-term unemployed (in %)



Source: Bruckmeier et al. (2015)



# Do ALMPs increase the employment prospects of long-term non-employed participants?



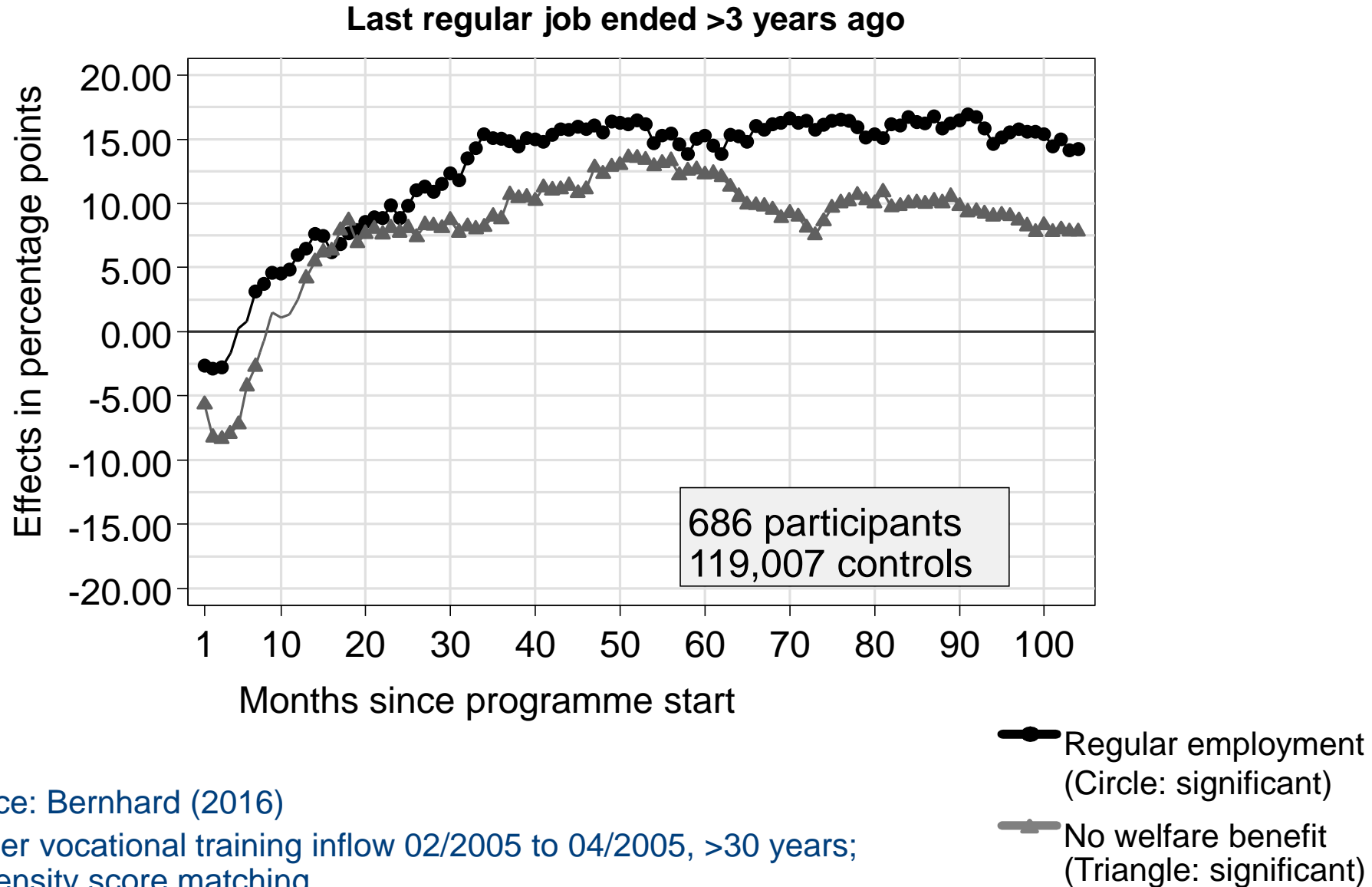
- ALMPs are intended to increase employment prospects of unemployed individuals.
- Potential detrimental effects: lock-in effects, stigmatization, programme careers
- Empirical evidence from Germany on major ALMPs for welfare recipients: evaluation studies based on administrative data, programme inflow in 2005 and a potential outcome framework

# Short-term training programmes increase employment prospects of welfare recipients.



- Classroom training (e.g. language or computer courses, application training) (e.g. Kopf 2013, Wolff/Jozwiak 2007):
  - increases employment chances of participants by ~3 percentage points;
  - is also effective for those without recent work experience.
- In-firm training (e.g. aptitude tests, skill training on the job):
  - increases employment chances of participants by ~10-20 percentage points;
  - is also effective for those without recent work experience.

# Further vocational training leads to sustainable employment effects for participants.



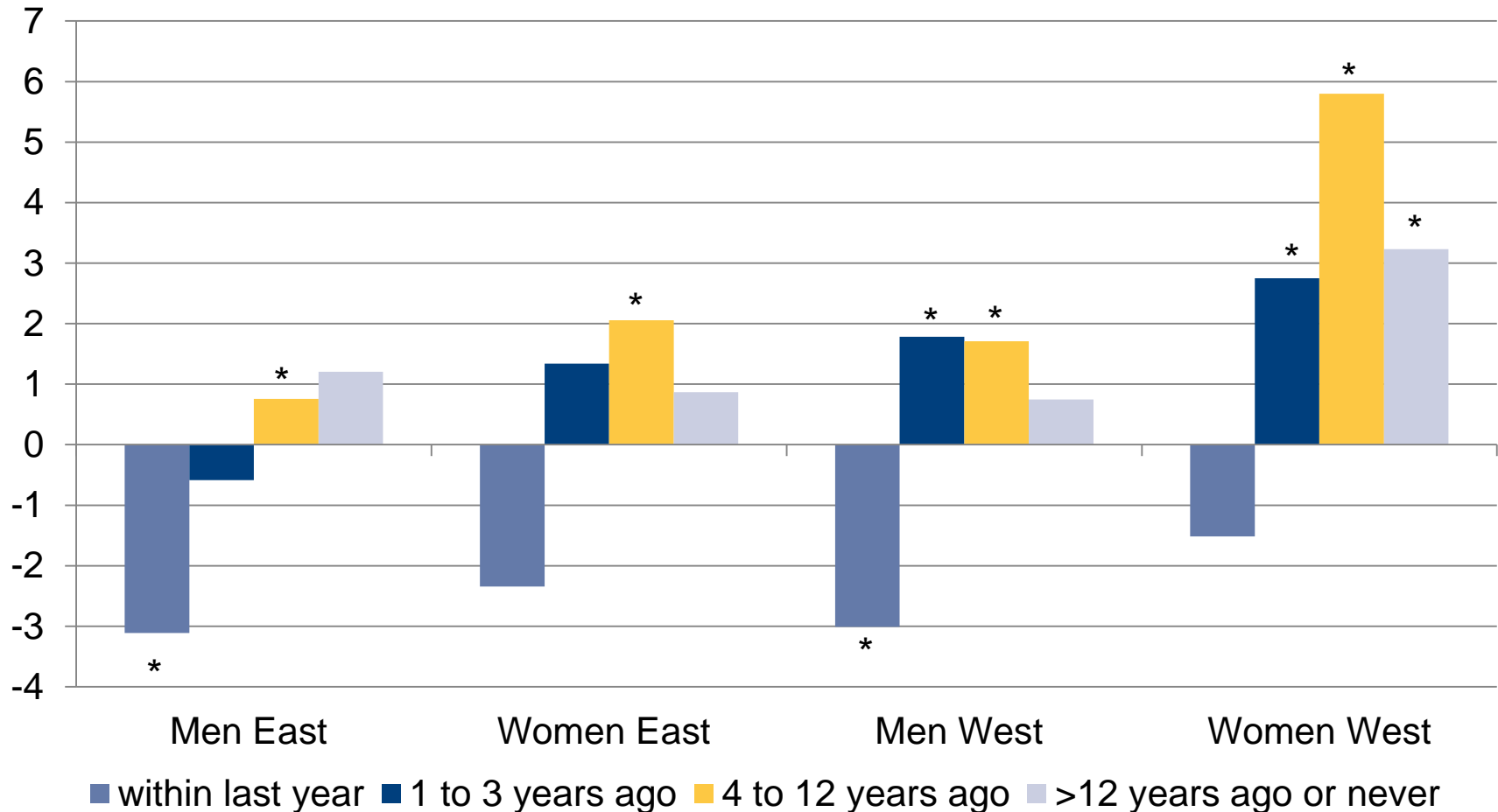
Source: Bernhard (2016)

Further vocational training inflow 02/2005 to 04/2005, >30 years;  
Propensity score matching

# One-Euro-Jobs are helpful for those without recent work experience.



Effects on employment rate 20 months after programme start by the time when the last regular job ended (in percentage points)



Source: Wolff/Hohmeyer (2008)

One-Euro-Job inflow 02/2005-04/2005; Propensity score matching; statistically significant effects: \*

## Summary and Conclusion



- LTU in Germany decreased until 2011, then remained mostly stable.
- LTU is persistent with a tendency towards more disadvantageous risks.
- Long-term unemployed can also benefit from existing ALMPs, such as training and direct job creation.

**Thank you for your attention!**

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# References



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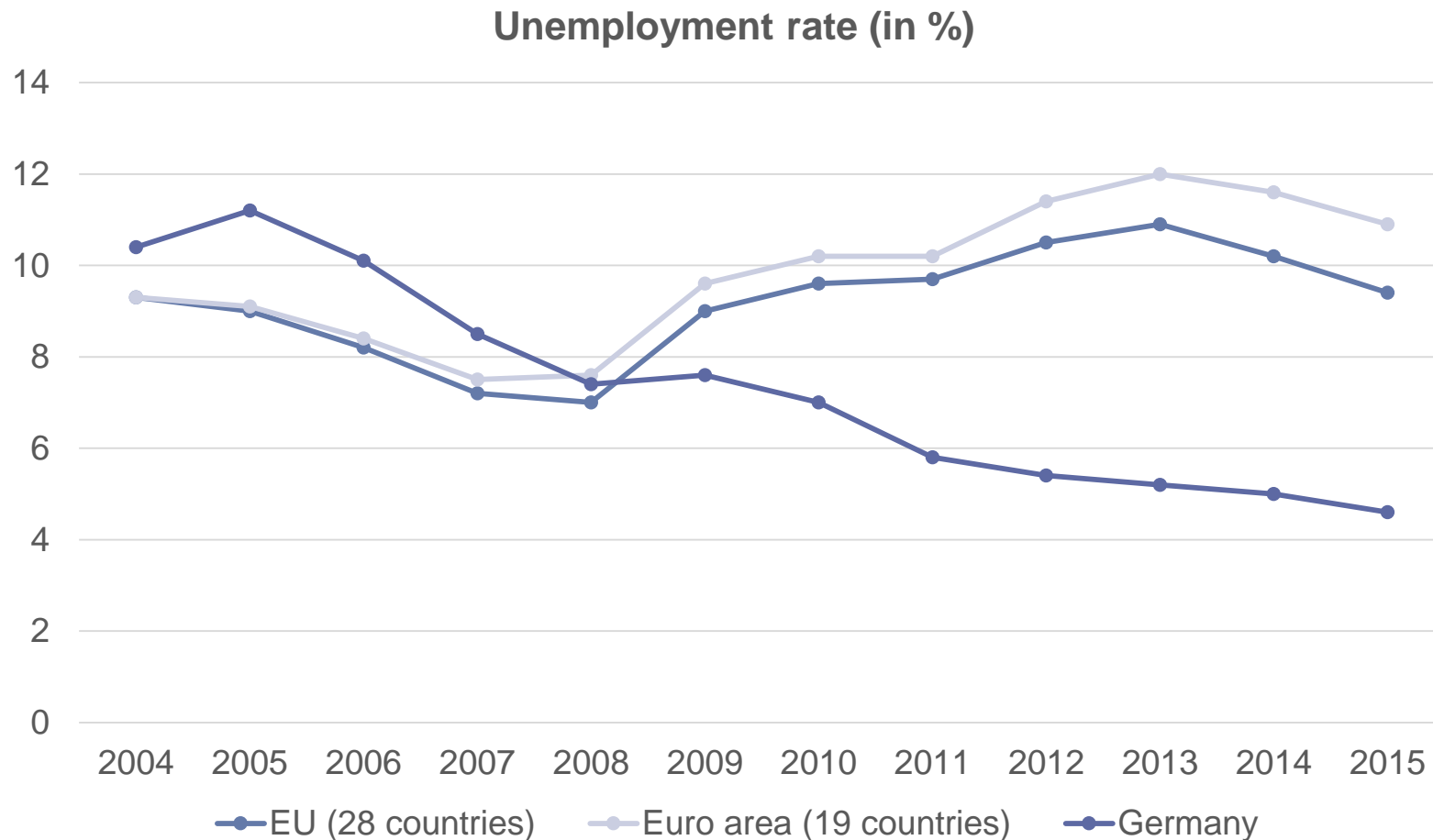
# Definitions of unemployment



- *Federal employment agency*: persons registered unemployed (15 to 64 years), not working  $\geq 15$ h/week nor participating in ALMP, looking for a job  $\geq 15$ h/week
- *Eurostat/OECD*: persons aged 15 to 74 years who: are without work during the reference week; are available to start work within the next two weeks; and have been actively seeking work in the past four weeks or had already found a job to start within the next three months.

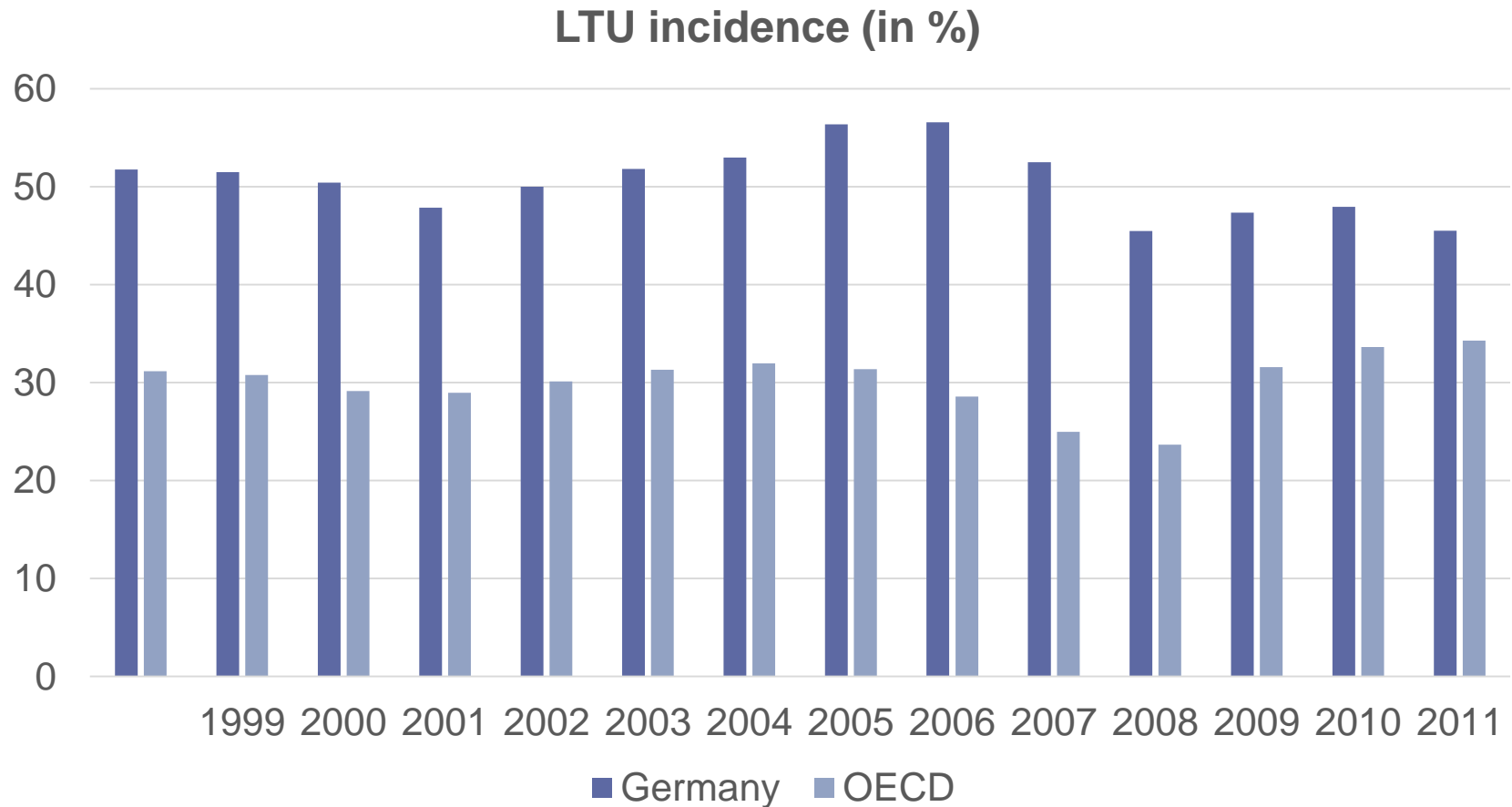


# Unemployment in Europe and Germany



Source: Eurostat; Unemployment rate as share of the active population aged 25 to 74 years

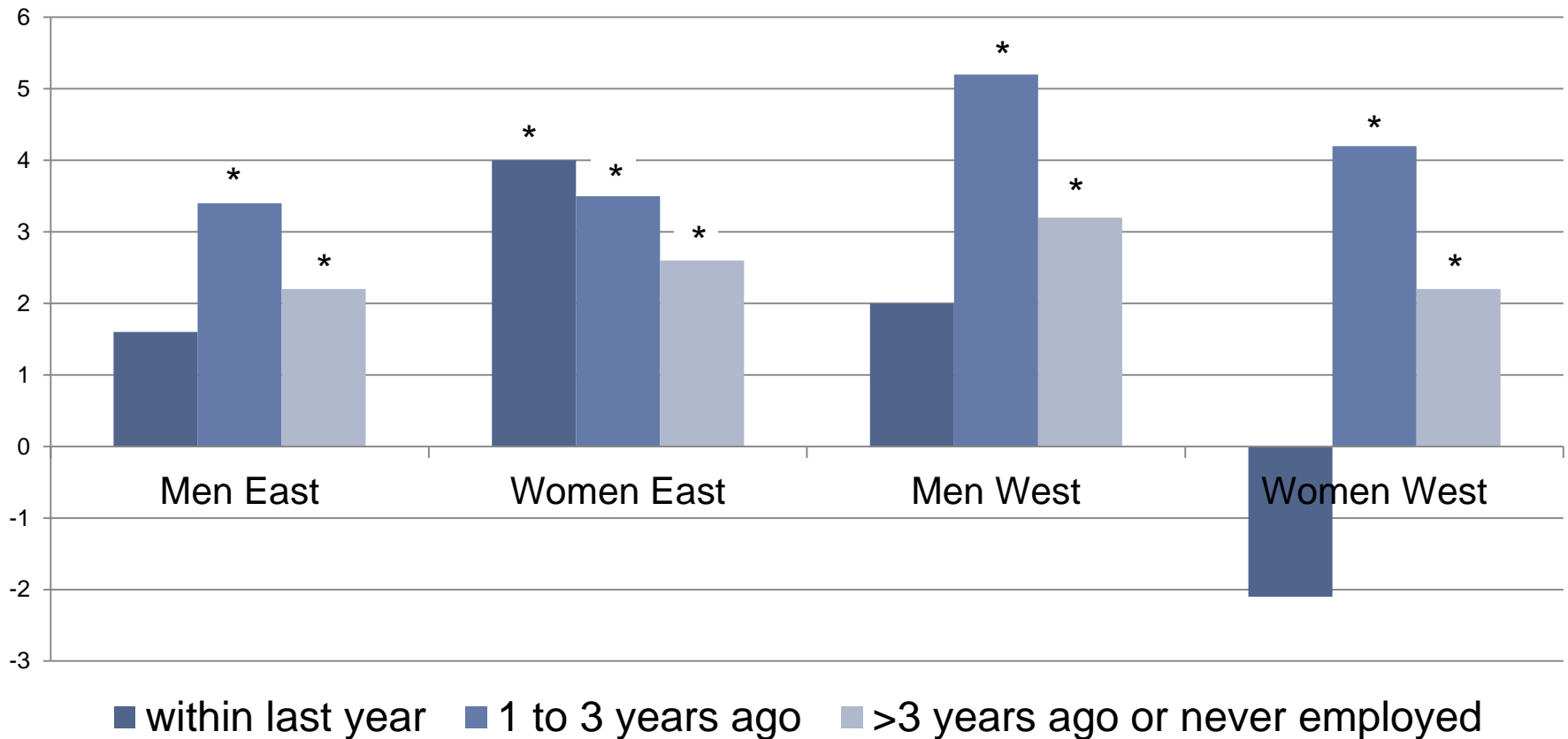
# LTU incidence in Germany and in OECD countries



Source: OECD; LTU as share of total unemployment

# Employment effects of classroom training

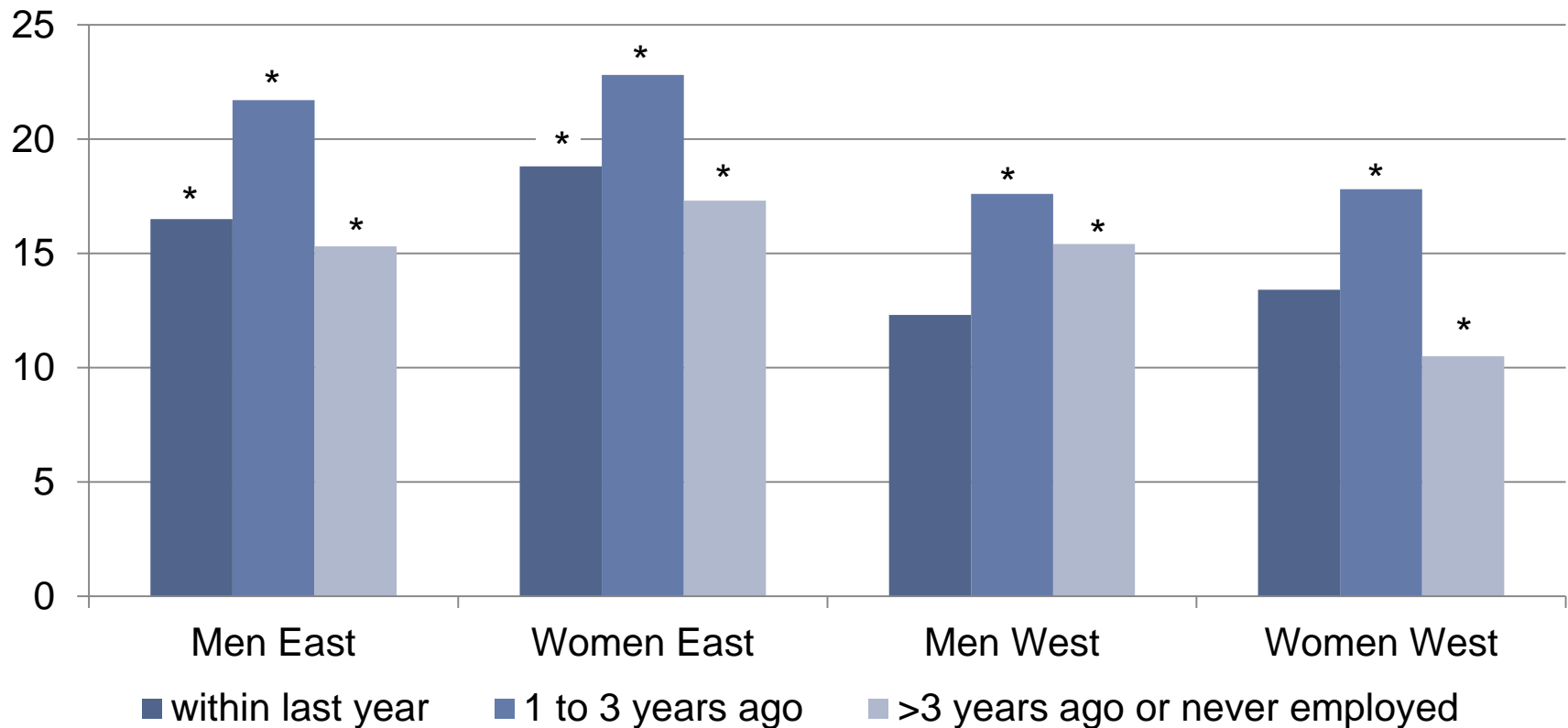
Effects on employment rate 20 months after programme start by the time when the last regular job ended (in percentage points)



Source: Wolff/Jozwiak (2007); Classroom training inflow 02/2005 to 04/2005; Propensity score matching; statistically significant effects: \*

# Employment effects of in-firm training

Effects on employment rate 20 months after programme start by the time when the last regular job ended (in percentage points)



Source: Wolff/Jozwiak (2007); In-firm training inflow 02/2005 to 04/2005; Propensity score matching; statistically significant effects: \*