



Active Labour Market Policies in Germany

Dr. Udo Brixy

Institute for Employment Research (IAB)

Nuremberg, Germany



Questions posed by the Commission

- Incentives to employers and employees to support job creation:
 - Role
 - Effectiveness
 - Especially vulnerable groups (youth)



Outline of the presentation

1. A short overview of main programmes of active labour market policies in Germany:
 - (1) Measures promoting the qualification of the unemployed
 - (2) Incentive schemes for employers and the self-employed
 - (3) Direct provision of jobs

2. Principles of evaluation
 - The four central questions of evaluation
 - Fundamental problem of evaluation

3. Results of the evaluation of the “Targeted Wage Subsidies”



(1) Measures to promote qualifications

- Short-term training measures
(*“Maßnahmen zur Aktivierung und Eingliederung § 46 SGBIII”*)
 - Only up to 8 weeks
 - Job application training, computer/ language courses ...
 - Side effect: test for willingness to work
- Further vocational training measures
(*“Maßnahmen zur beruflichen Weiterbildung § 77ff. SGBIII”*)
 - Training for a new occupation
 - Upgrading existing skills
 - Up to 3 years



(2) Incentive schemes for employers and the self-employed

- Targeted wage subsidies
(*“Eingliederungszuschüsse” § 217ff SGBIII*)
 - Given directly to employers
 - Up to 50% of the wage
 - Motivation for employers to hire an unemployed person
 - Tailored for particularly disadvantaged groups
 - Up to 12 months
 - Followed by a “protection period” equal to the subsidised period



(2) Incentive schemes for employers and the self-employed

- Start-up subsidy

(*“Gründungszuschuss” § 57 SGB III*)

- Support up to 9 months
- Unemployment benefits plus a lump-sum payment to cover the costs of social security
- Between 2006 until 2011 eligibility for the grant was dependent on meeting certain requirements (approved business plan etc.)
- In the near future the Start-up subsidy will become optional



(3) Direct provision of jobs

- Job creation schemes

(“Arbeitsbeschaffungs-Strukturanpassungsmaßnahmen”)

- Usually implemented in the public non-profit sector
- Aim to maintain employability of the participants
- In regions with high unemployment they have an additional socio-political component
- Risk of crowding-out regular private jobs



Four central questions of evaluation

Questions:	Method used:
Does the programme increase the chances of the participants?	Quantitative analysis on the micro-level
Does the programme pay off?	Cost-benefit analysis
Why does a programme (doesn't) work?	Implementation Study (qualitative design)
Overall improvement of the labour-market ?	Quantitative analysis on the macro-level



“Fundamental problem of evaluation”

- to identify the causal effect of ALMP-measures it would be necessary to know how a person would have behaved, if a measure had not taken place (“counterfactual evidence”)
- obviously impossible to observe a single person at the same time in two mutually exclusive stages
- Strategy: statistical modelling is used to look for “statistical twins” that help to identify the unknown “treatment-effect” (effect of the programme)



Construction of the comparison group

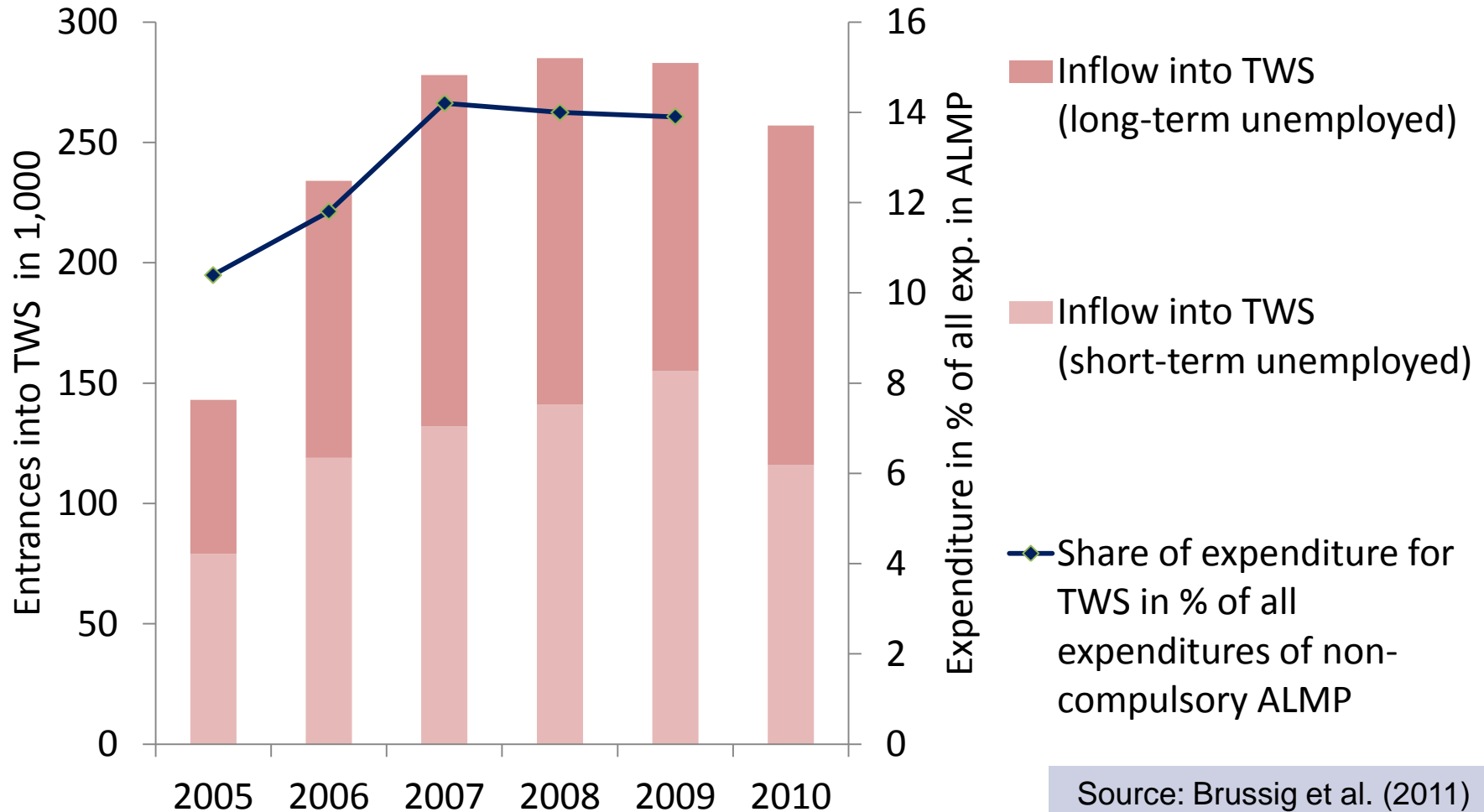
- How the comparison-group is composed determines which features of a programme can be compared
 - “propensity-score matching” should minimise selection-effects on the individual-level
 - Unemployed: analysing if the programme helps to get the participants more often into employment than without
 - Unemployed who started a regular non-assisted job: Stability of the assisted vs. non-assisted jobs, wages ...



Evaluation of the “Targeted Wage Subsidies” (TWS)

- Targeted wage subsidies
(*“Eingliederungszuschüsse” § 217ff SGBIII*)
 - Given directly to employers
 - Up to 50% of the wage
 - Motivation for employers to hire an unemployed person
 - Tailored for particularly disadvantaged groups
 - Up to 12 months
 - Followed by a “protection period” equal to the subsidised period

Outflows from unemployment into TWS



Source: Brussig et al. (2011)



1. Micro-level evaluation

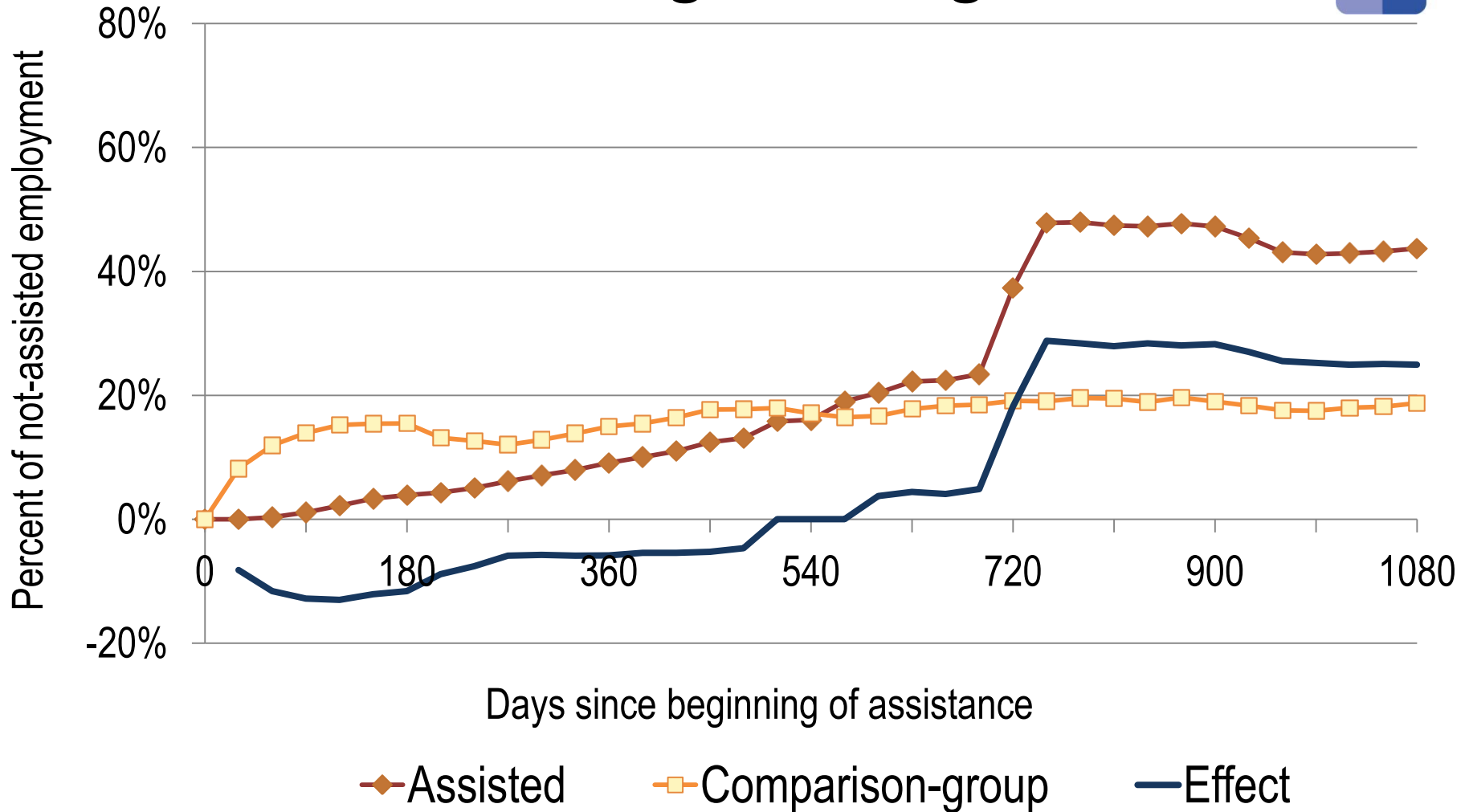


Possible unintended effects in ALMP

- Deadweight losses
 - Treated might profit from treatment, but would have got a job anyway
- Substitution-effect
 - Participants “overtake” non-participants in the “job-queue”
 - Some firms might fire workers to recruit assisted workers
- Crowding-out effect
 - Because of subsidies in one firm, other firms might lose employment or decide against expansion
- Benefit fraud
 - Criminal act, person applies for grants that he/ she is not entitled to



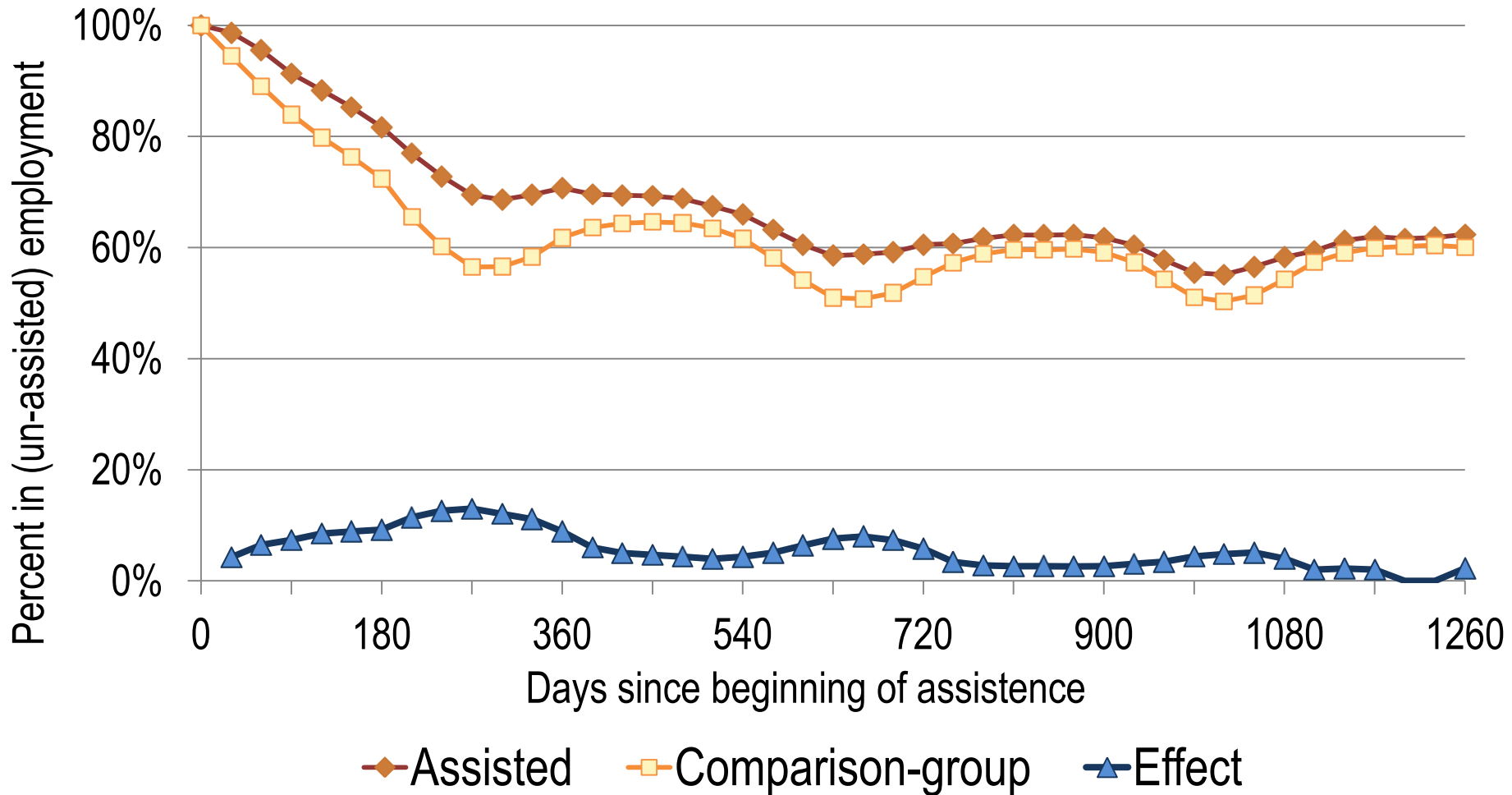
Evaluation of the Targeted Wage Subsidies



Men in West-Germany; Targeted Wage Subsidies for hard to place unemployed for 7 to 12 months, assistance beginning in 2nd quarter 2002; comparison-group: "statistical twins"; outcome-variable: non-assisted employment
Source: ZEW et al. (2006)



Evaluation of the Targeted Wage Subsidies



Men in West-Germany aged 25-49, Targeted Wage Subsidies, assistance beginning in 2nd quarter 2003; comparison-group: "statistical twins" that took up non-assisted jobs; outcome-variable: non-assisted employment
Source: Stephan (2010)



2. Cost-benefit analysis



Targeted Wage Subsidies pay off

Cost-benefit analysis of the EGZ	West		East	
	Men	Women	Men	Women
Assistance-period in days	124	127	151	173
Daily assistance (in Euro)	20	20	16	17
A) Sum of assistance (in Euro)	2512	2536	2631	3124
Daily unemployment benefit (in Euro)	20	16	18	14
Additional days in employment	70	63	115	130
B) Savings of unemployment benefit (in Euro)	1381	995	2107	1810
Additional income for 3.5 years (in Euro)	3923	2199	4951	4175
C) Additional social sec. contributions and taxes	1962	1099	2476	2087
B+C-A = Fiscal net-effect (in Euro)	831	- 442	1951	773

Individuals who were unemployed and aged between 25-49, assistance beginning in 2nd quarter 2003; comparison-group: "statistical twins" that took up non-assisted jobs; outcome-variable: non-assisted employment
Source: Stephan (2010)



3. Implementation study

Conclusion of the implementation-study by Brussig, Schwarzkopf, Stephan (2011)



- Placement officers mostly perceive Targeted Wage Subsidies as an adequate programme that really helps to get disadvantaged unemployed into work
- Dominance of “re-active”-recruiting: Firms ask for assistance for specific persons: difficult to decide whether dead-weight effect or not (hint of deadweight-effects, especially low qualified jobs)
- Too many different versions of the programme



4. Macro-level evaluation

Conclusions of the study by Huyer, Rodrigues, Wolf (2009)



- Regional impact of ALMP is evaluated using the regional variation of the intensity of ALMP across regions over time
- Do ALMP have an influence on the outflows from unemployment into regular (unsubsidised) employment?
- Result: nearly no significant effects of ALMP on the matching-function could be found
- Possible reasons: too much “noise” or substitution/ crowding-out effects



Conclusions

Targeted Wage Subsidies:

- Reach the intended persons
- Help unemployed to get work
- Increase stability of jobs
- Pay off fiscally
- Do not have significant effects on the regional unemployment-rate



References

- BMAS/IAB (2011): Sachstandsbericht der Evaluation der Instrumente.
<http://www.iab.de/751/section.aspx/347>
- Brussig, M., Schwarzkopf, M. and G. Stephan (2011): Eingliederungszuschüsse: Bewährtes Instrument mit zu vielen Varianten. IAB-Kurzbericht 12/2011
<http://doku.iab.de/kurzber/2011/kb1211.pdf>
- Huyer, R., Rodrigues, P.J.M. and K. Wolf (2009): Estimating the macroeconomic effects of active labour market policies using spatial econometric methods. International Journal of manpower (30) 648-671.
- Stefan, G. (2010): Employer wage subsidies and wages in Germany – Some evidence from individual data. ZAF-Journal for Labour Market Research (43) 53-71.
- Koch, S., Spies, C., Stephan, G. and J. Wolff (2011): Arbeitsmarktinstrumente auf dem Prüfstand. IAB-Kurzbericht 11/2011.
<http://www.iab.de/194/section.aspx/Publikation/k110506a02>
- Ruppe, K. (2009): Eingliederungszuschüsse und Betriebszugehörigkeitsdauer in Westdeutschland. IAB-Discussion Paper 6/2009.
<http://doku.iab.de/discussionpapers/2009/dp0609.pdf>
- ZEW, IAB, IAT (2006): Evaluation der Maßnahmen zur Umsetzung der Vorschläge der Hartz-Kommission. Mannheim, Nürnberg, Gelsenkirchen.
<http://doku.iab.de/externe/2006/k060703f28.pdf>