

Fostering Evidence-based ALMP: the German Case and the IZA World of Labor Project

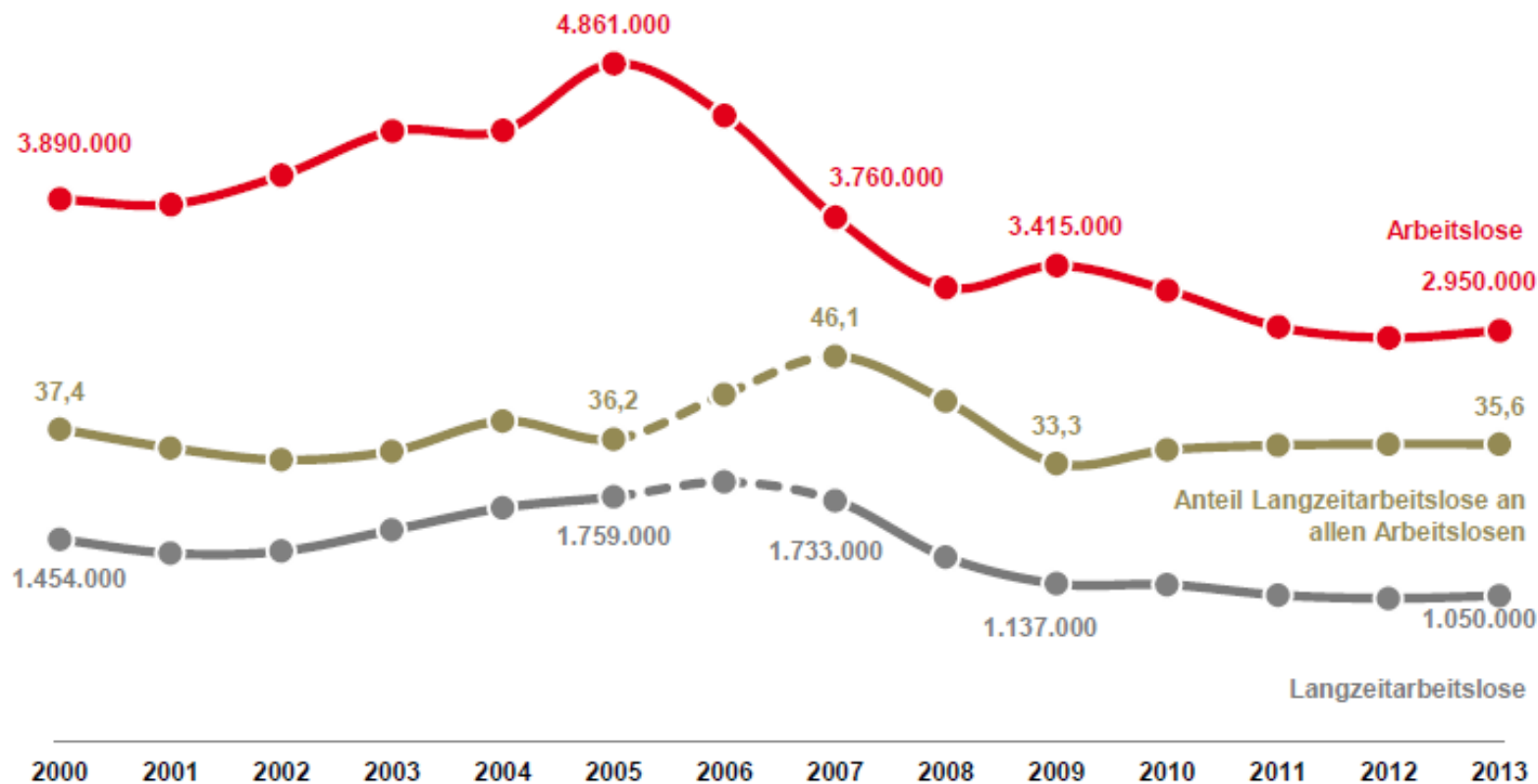
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Structure of Presentation

1. Unemployment in Germany
2. ALMPs in International Comparison
3. Types of ALMPs
4. Evaluation of ALMPs
5. Evaluation of Minimum Wages
6. IZA - World of Labor

1. Unemployment in Germany

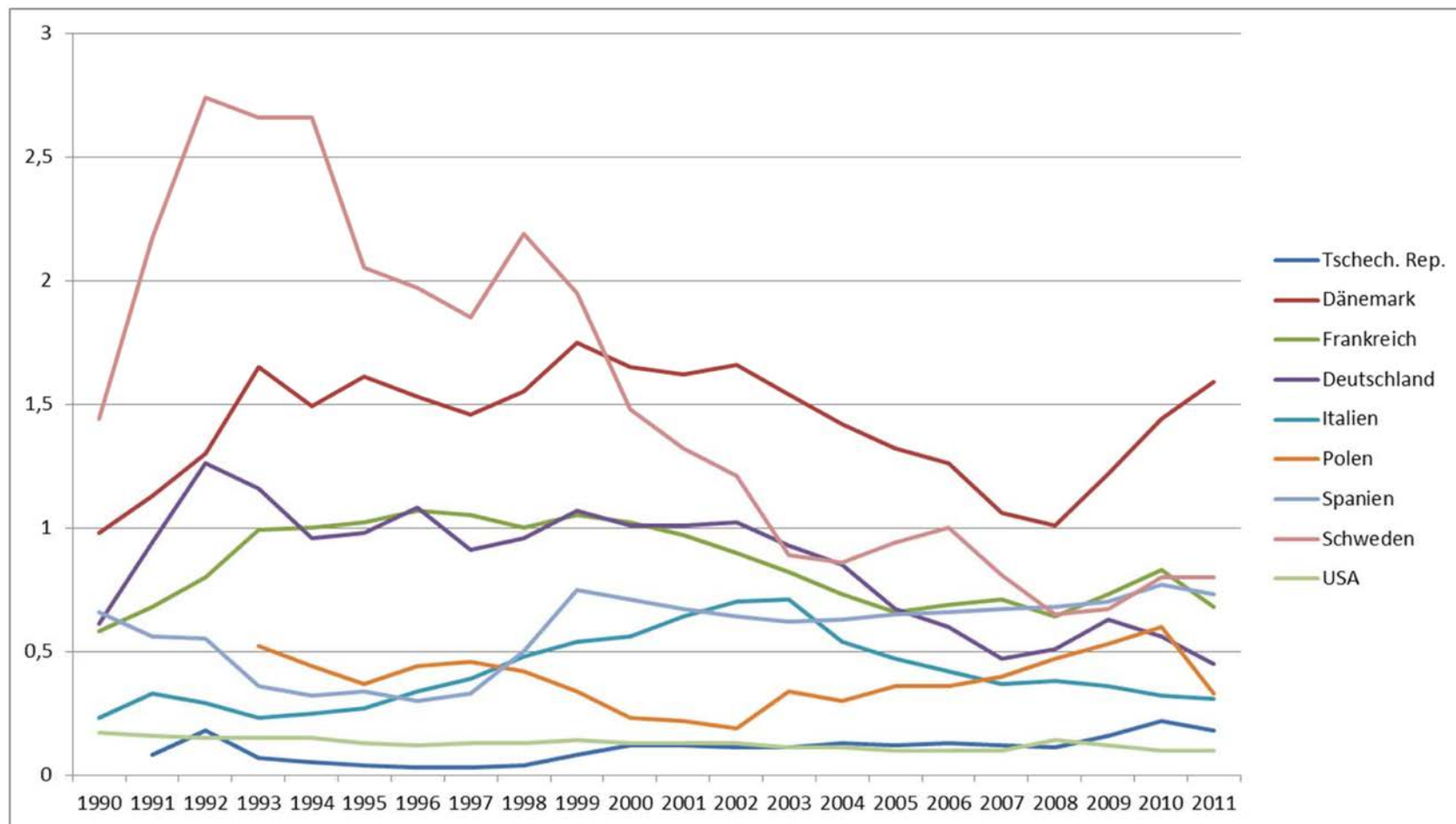


—●— Overall unemployed —●— % of long-term unemployed
—●— Long-term unemployed

Bundesagentur für Arbeit (2014): Der Arbeitsmarkt in Deutschland – Die Arbeitsmarktsituation von langzeitarbeitslosen Menschen, Nürnberg, p. 6.

2. ALMPs in International Comparison

Public Expenditures for Active Labor Market Policies in Selected OECD-Countries in % of GDP, 1990 – 2011



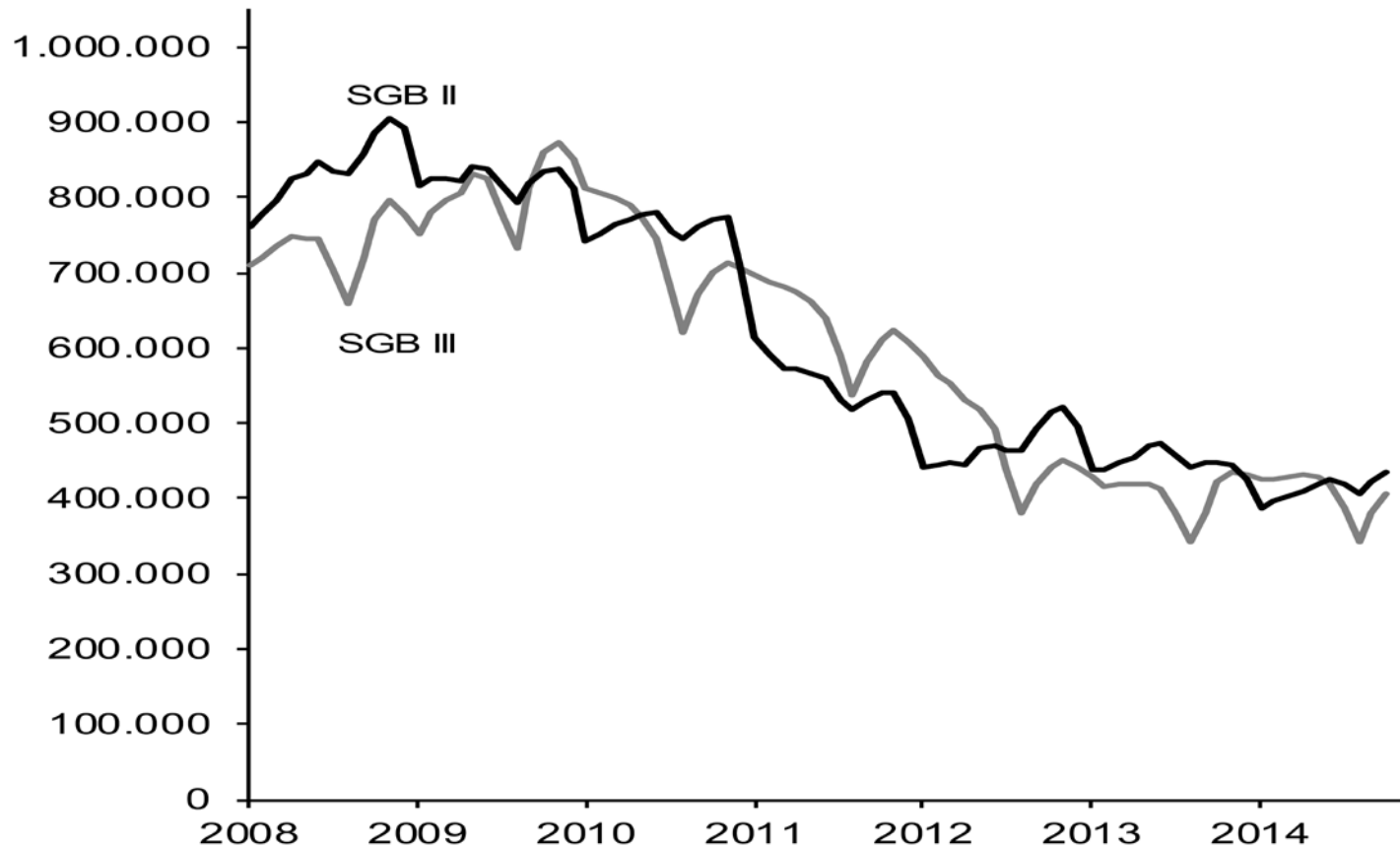
Kluve, Jochen (2013): Aktive Arbeitsmarktpolitik: Maßnahmen, Zielsetzungen, Wirkungen. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung, Arbeitspapier 07/2013, p.40.

Active Labor Market Policies: Participation (Percentage of Labor Force), Public Expenditures (Percentage of GDP), and Sanction Rates (Percentage of Unemployment)

	Labor force involved (%)	Total	Training	Other	Sanction rates
Australia	1.8	0.45	0.04	0.07	3.3
Austria	–	0.62	0.33	0.08	–
Belgium	7.0	1.08	0.20	0.26	0.8
Canada	2.5	0.32	0.08	0.06	6.1
Czech Republic	1.2	0.25	0.01	0.11	–
Denmark	5.2	1.74	0.51	–	2.1
Finland	3.7	0.89	0.37	0.25	10.2
France	3.6	0.90	0.29	0.18	–
Germany	4.7	0.97	0.25	0.27	1.1
Greece	–	–	0.03	–	–
Hungary	–	0.29	0.04	0.10	–
Ireland	3.6	0.63	0.24	0.06	–
Italy	–	0.54	0.20	0.25	–
Japan	–	0.25	0.04	–	0.02
Korea	–	0.13	0.04	0.05	–
Luxembourg	–	0.52	0.13	0.20	–
Mexico	–	0.02	0.01	–	–
Netherlands	4.2	1.33	0.13	0.53	36.0
New Zealand	1.9	0.39	0.17	0.09	0.4
Norway	2.7	0.75	0.37	0.19	7.3
Poland	–	0.43	0.10	0.23	–
Portugal	–	0.69	0.29	0.20	–
Slovak Republic	5.5	–	0.02	–	–
Spain	–	0.78	0.17	0.39	–
Sweden	4.4	1.32	0.34	–	0.6
Switzerland	2.5	0.76	0.29	–	38.5
United Kingdom	–	0.49	0.09	0.01	5.5
United States	–	0.13	0.05	0.04	35.4

OECD Online Statistics, 2012, for data on ALMP participants and expenditure; Boone and van Ours (2009), Grubb (2000) for data on sanction rates. In: Boeri/ van Ours (2013), p. 353.

Participants in Measures of ALMPs – by Funding, Germany 2008 – 2014 *



*Projected preliminary numbers for the last 3 months

Bundesagentur für Arbeit (2014): Der Arbeits- und Ausbildungsmarkt in Deutschland – Monatsbericht Oktober 2014, Nürnberg, p. 33.

Germany in International Comparison

- Public expenditure in % of GDP for ALMPs is about average,
- Per capita expenditure is low
- Sanction rate is very low, especially in comparison to the Netherlands, Switzerland and the USA

3. Types of ALMPs (Kluve 2013)

	Job search assistance	Training programmes	Employer subsidies	Public sector jobs
Short-term	+	-	+	-
Long-term		++	?	-
Cost efficient	+			

However (for instance):



‘Citizen labor’
(Bürgerarbeit)

Risk of the new
concept of the federal
labor minister: **revival
of public sector jobs**



Time-restricted
employee subsidy

Employer subsidy

On-the job training

4. Evaluation of ALMPs

There is no obligation to evaluate ALMPs in Germany

→ **Only about half of the ALMPs are being evaluated.**

Example of successful combination of research and policy: TNIT – Targeted time-restricted employee subsidy

Eichhorst/Zimmermann (2007), Heyer et al. (2012)

TNIT - *Targeted Time-restricted employee subsidy*

1995/1996	Development of a targeted time-restricted employee subsidy (TNIT) as a new active labor market instrument
1996 –1998	“Marketing” at state and federal level to get social experiments conducted
1999	Legal experimental clause implemented
1999 – 2002	16 field experiments with TNIT in two states in Germany
2002	Many flawed experiments, but one was implemented properly and evaluated positively
2004	TNIT as a part of the Hartz IV reforms
2005	National rollout of TNIT

Since then: several positive evaluation reports

5. Evaluation of Minimum Wages

- 2006 Federal Minister of Labor, Franz Müntefering (Social Democratic Party), proposed a legal minimum wage
→ strategic target
- 2013 Grand coalition agrees on a legal minimum wage
- 03/2014 Federal Minister of Labor, Andrea Nahles (Social Democratic Party), comes up with a first version of a bill with few exceptions and **without an evaluation clause**
- 04/2014 Bill approved by the cabinet with more exceptions and **with evaluation clause**
- 2015 Legal minimum wage (8.50 € per hour) except in sectors with binding collective labor agreements (CLAs) for a two-year transition period
- 2017 Legal minimum wage nationwide

6. IZA – World of Labor

Background

The relationship between policymakers and the research community is often characterized by **misperceptions**:

- Many **researchers** get the impression that their findings and recommendations are selectively ignored – or misused to serve political goals.
- **Policymakers** argue that science-based recommendations are either out of touch with reality or delivered too late.
- However, policymakers need guidance for successful economic policymaking to avoid **welfare losses**.

The Product

- 1 pager + 8 pages + 1 page of references
- Target: 500 English-language contributions over next years
- Status quo: almost 100 contributions
- Single-authored papers
- Global, freely accessible online platform & book publications (also as e-books)

Unique One-pager

See, for instance,

<http://wol.iza.org/articles/do-case-workers-help-the-unemployed>

Subject Area: Programm Evaluation

<http://wol.iza.org/subject-areas/program-evaluation>

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