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Who is targeted by One-Euro-Jobs? A selectivity analysis

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IAB-Discussion Paper

8/2008

Beiträge zum wissenschaftlichen Dialog aus dem Institut für Arbeitsmarkt- und Berufsforschung

Who is targeted by One-Euro-Jobs?

A selectivity analysis

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Eva Jozwiak

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Mit der Reihe „IAB-Discussion Paper“ will das Forschungsinstitut der Bundesagentur für Arbeit den Dialog mit der externen Wissenschaft intensivieren. Durch die rasche Verbreitung von Forschungsergebnissen über das Internet soll noch vor Drucklegung Kritik angeregt und Qualität gesichert werden.

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Abstract

In 2005 major reforms of the means-tested unemployment benefit system were implemented in Germany. One element of the reforms was to activate benefit recipients by a workfare programme, the so-called One-Euro-Job programme. More than 600,000 benefit recipients entered this programme in the year 2005. This paper investigates for a sample of means-tested unemployment benefit recipients the selection into One-Euro-Jobs in spring 2005 with the help of binary probit models. As there are substantial gender and regional effects, we estimate the selection equations for men and women in East and West Germany separately.

Women have a lower probability of participating if they have a child under the age of three, whereas this makes no difference for men. Then, we find that young adults below 25 years begin a One-Euro-Job with a higher probability than other age groups. Moreover, special target groups such as individuals with migration background are not promoted with One-Euro-Jobs. They participate with a lower probability than Germans without migration background. Overall, we conclude that a concentration on defined target groups cannot be observed. To analyse the sizable differences in participation probabilities of women in East and West Germany a Blinder-Oaxaca decomposition of effects is applied. It turns out that the differences can partly be traced back to characteristics such as qualification and employment history and to the availability of child care facilities.

JEL classification: D78, J16, J68

Keywords: workfare, selection, means-tested benefit recipients, Blinder-Oaxaca decomposition

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1 Introduction

In recent years major reforms of the labour market (the so-called Hartz reforms) have been introduced in Germany with the scope of reducing the persistent high unemployment rates.¹ One of the reforms was implemented with the introduction of the Social Code II. A new means-tested benefit, the unemployment benefit II (UB II), was introduced in 2005 which replaced the unemployment and social assistance for employable persons in needy households. The Social Code II in contrast to the former system emphasises activation policies. As one means of activating unemployed a workfare programme called One-Euro-Jobs was introduced in 2005 which have been widely used since then. In 2006, more than 700,000 unemployed started a One-Euro-Job.

As the programme is supposed to be used as a kind of last resort, special target groups for this programme are hard-to-place unemployed or those who are distant to the labour market. One-Euro-Jobs should enhance employability as well as reemployment chances. Another application of this programme is the usage as a willingness-to-work test where no special target group is defined and unemployed with rather good labour market chances are also likely to participate. This paper investigates the selection into One-Euro-Jobs and how these different programme goals are reflected in the programme assignment.

There are only a few studies that focus on programme selectivity. However, several reasons support the importance of selectivity studies (Heckman / Smith 2004). First, knowledge on selectivity can provide useful information on programme operations. E.g., are One-Euro-Jobs actually used as work tests or are they rather used as a kind of last resort for persons particularly hard to place? Second, we can learn about inequality. Do specific groups, such as women or foreigners have the same chance (or "risk") of participating as others? Third, it contributes to finding an adequate evaluation strategy used for determining the effects of the programme on participants' employment outcome. Furthermore, questions about the participation probability of certain groups and why some are taking part less can be addressed here. One example are West German women who have a very low participation probability. With the usage of a new application of the Blinder-Oaxaca decomposition analysis by Fairlie (2006) we explain this low participation in comparison to East German women.

The paper is organised as follows: chapter two displays the institutional framework of the recent reforms and of One-Euro-Jobs, while chapter three summarises previous findings on participation structures and selectivity of public employment and workfare programmes. In chapter four we outline the theoretical framework and hypotheses. The method and data that we used are described in chapter five. This is followed by the results of the probit as well as the decomposition analysis in chapter six and a summary and conclusions in chapter seven.

¹ A comprehensive description of changes in labour market policies by the Hartz reforms can be found in Jacobi / Kluve (2007).

2 Institutional framework

In January 2005 the last step of the Hartz reforms came into force in Germany and the Social Code II ("SGB II") was introduced.² One main point of the reform was the consolidation of the former unemployment assistance and social assistance for employable needy persons to unemployment benefit II ("Arbeitslosengeld II"). The reforms aimed at integrating more individuals into the labour market. This particularly concerns persons who were serviced by the social assistance offices before and who have not been working for a long period and thus are rather distant to the labour market.

On the one hand, the new Social Code II challenges the efforts of unemployed people with regard to search for employment in the direction that e.g. unemployment benefits can be cut if efforts are too low. On the other hand, the reform provides more opportunities of assisting unemployed towards employment take-up. One option of promoting and challenging unemployed people is public employment. Three similar types of public employment programmes exist within the Social Code II: First, there are the traditional job creation schemes ("Arbeitsbeschaffungsmaßnahmen") that had already been part of the law of employment promotion ("Arbeitsförderungsgesetz") in 1969. Second, two types of work opportunities have been introduced in 2005: Contributory work opportunities with wage ("Arbeitsgelegenheiten in der Entgeltvariante") and work opportunities with an allowance to unemployment benefits for additional expenses ("Arbeitsgelegenheiten in der Mehraufwandsvariante"), also known as One-Euro-Jobs.³ More than 95 % of work opportunities are One-Euro-Jobs, hence we concentrate on this programme. Table 1 shows that more than 600,000 unemployed in 2005 and more than 700,000 in 2006 started a One-Euro-Job.

Table 1
Entries into One-Euro-Jobs since introduction 2005 to October 2007

| | 2005 | 2006 | Jan.- Oct. 2007 |
|--------------|---------|---------|--------------------|
| Total | 603,771 | 704,477 | 604,461 |
| East Germany | 287,872 | 297,979 | 242,102 |
| % of women | 44.9 | 44.6 | 44.3 |
| West Germany | 315,899 | 406,498 | 362,359 |
| % of women | 34.2 | 35.0 | 36.5 |

Source: Statistics of the Federal Employment Agency, calculations from the Data Ware House⁴

² A number of recent reforms are based on proposals of a commission, led by Peter Hartz, head of the personnel executive committee of Volkswagen. Many of the labour market reform elements proposed by this commission in the year 2002 were not entirely new, but were discussed already for quite some time.

³ Table 2 in the Appendix gives a list of characteristics of these three public employment programmes.

⁴ The statistics on inflow and stocks exclude the 69 districts in which only local authorities are in charge of administering the unemployment benefit II.

One-Euro-Jobs aim at several goals: They are targeted on increasing the employability of long-term unemployed people and enhancing their chances of finding regular employment (Bundesagentur für Arbeit 2005). Furthermore, they aim at integrating unemployed persons socially by providing them with a task and a daily routine. They are also used as means of testing an unemployed person's willingness to work. Moreover, public employment can be seen as a contribution to the provision of public goods of the means-tested unemployment benefit recipients.

One-Euro-Jobs are designed for employable means-tested benefit recipients between 15 and 64 years. Jobs carried out within One-Euro-Jobs have to be additional and of public interest just as job creation schemes. They are subordinate to regular employment, vocational training and other active labour market programmes. This implies that persons with specific difficulties in finding regular employment should be more likely to participate in One-Euro-Jobs than those who have better chances of finding a job. One example for those particularly hard to place are persons with long (cumulated) periods of unemployment or those whose last regular employment is long ago. Those who have neither worked nor been registered unemployed in the years before the implementation are also far from the regular labour market. Moreover, the Federal Employment Agency defined special target groups for One-Euro-Jobs within the Social Code II compendium (Bundesagentur für Arbeit 2006a). These are young adults, unemployed individuals with placement barriers, persons with migration background and older unemployed persons.

The selectivity analysis investigates if such target groups are really addressed by the programme. However, the aim of One-Euro-Jobs to serve as willingness-to-work tests partly conflicts with the target group idea. It is one task of this study to reveal who is more probable to participate in One-Euro-Jobs and which aim is more prevalent.

Participants receive an allowance of usually one to 1.5 Euros per hour worked additional to unemployment benefits. Organisations providing the work opportunity receive a lump sum covering the allowance and further costs (e.g. working clothes and training of participants) of carrying out One-Euro-Jobs. One-Euro-Jobs are not liable to social security. The duration of participation is typically up to six months and participation should be carried out in part-time (up to 30 hours per week) to make sure that participants are still able to apply for regular jobs. On average, weekly hours have been 28.9 in West and 27.7 in East Germany for the first six month in 2005 (Wolff / Hohmeyer 2006).

3 Selectivity of public employment programmes in Germany

Since Social Code II has just been introduced in 2005, very little research on the probability of recipients of unemployment benefits II to take part in active labour market programmes has been done. So far, no multivariate analysis on the participation probability exists for public employment programmes for means-tested unemployment benefit recipients. Recently, some descriptive research on the structure of participants (inflow) of public employment programmes in 2005 has been published (Bernhard et al. 2006, Heinemann et al. 2006, Hohmeyer

et al. 2006, Wolff / Hohmeyer 2006). These studies identify potential target groups for public employment programmes on the basis of the stock of unemployed and the guidelines of the Federal Employment Agency and analyse in how far these target groups participate in the programmes.

The two types of work opportunities appear to be very similar concerning their structure of participants: young persons under the age of 25 years start a work opportunity disproportionately often. This fact can be traced back to the legal requirement that young persons have to be placed immediately to a job, to vocational training or to a work opportunity. Older unemployed persons take up a work opportunity less often compared to their share in the unemployed individuals. An exception are East German unemployed who are older than 57 years, who participate more often in One-Euro-Jobs compared to their share in the stock of unemployed. This can be explained with the special promotion of this age group since July 2005 when a special One-Euro-Job programme for this age group has been introduced. Women in West Germany less often start one of these programmes while East German women start them proportionately compared to their share in the unemployment stock. Women without vocational training participate even less often while for men the share of participants without vocational training is about as high as their share in the unemployment stock. Overall, no concentration on target groups can be observed in these descriptive studies with the exception of young unemployed people.

There are further programmes that are only partly comparable to One-Euro-Jobs. On the one hand, there are welfare-to-work programmes. On the other hand, there are job creation schemes. One-Euro-Jobs lie somehow in between both programmes. That is why we shortly present selected selectivity results for job creation schemes as well as for welfare programmes.

Research on job creation schemes is done for the group of unemployment insurance recipients and not for the means-tested unemployment benefit recipients that is analysed in this study. In various evaluation studies, Caliendo et al. (2004, 2005a, 2005b) and Caliendo (2006) analyse the participation probabilities of a sample of persons who are registered unemployed in January 2000 and receiving benefits using binary logit models.

In West Germany, married persons (especially women) have a lower probability of participation whereas in East Germany the opposite holds. The authors presume that this is due to the rather traditional division of labour between men and women in West Germany or due to the different labour market situation in both regions. Assuming that married women are more likely to participate if their husband is unemployed, this could be the reason for the regional difference, considering that unemployment is higher in East Germany. However, the authors could not test this hypothesis with the data that was available to them. As there is more precise data on the household context available to us, we take a look on this hypothesis for the case of One-Euro-Jobs.

A higher level of education comes along with a higher probability to participate for women, while the effect for men is negative or zero. Work experience is associated with a lower participation probability. Furthermore, there are some regional effects: while the participation probability in East Germany is higher if the labour market situation is worse, the participation probability of unemployed persons in West Germany rises if labour market prospects are good.

Besides these few German studies about the selection into public employment schemes, there is some international evidence on the selection into workfare programmes. Handler (2003) surveys international workfare literature and compares selectivity of workfare programmes in the US and in Western Europe. He concludes that workfare participation is highly selective. He mostly ascribes this to service workers who prefer sending clients with better employment chances to a workfare programme (cream skinning).

For several reasons, the multivariate selectivity analysis of One-Euro-Jobs in Germany is a new task as this is firstly a new programme, and secondly, there is generally not much evidence on programme selectivity and its cause. Furthermore, we want to examine if the results can be queued in the international workfare and public employment literature.

4 Theoretical background

Public employment has the scope of activating unemployed individuals. On the one hand, public employment aims at raising the employability of participants and hereby enhancing their labour market chances. One-Euro-Jobs in particular have the goal of creating basic preconditions for participants to take up jobs. For example, participants should get used to regular work schedules. Hence, this is most likely effective for those UB II recipients who are hard to place. Furthermore, such One-Euro-Jobs can also be used as a work test. Is the unemployed willing to work or able to follow a regular work schedule? This reason for an assignment into a One-Euro-Job may also count for unemployed with placement barriers and on the other hand for persons where illegal employment is assumed. Thus, the decision of which individuals are selected into the programme may also influence the effectiveness of public employment that is investigated by micro econometric studies (Hohmeyer / Wolff 2007). For such programme evaluation studies it is important to generate knowledge about the processes and mechanisms of placement into One-Euro-Jobs and the programme operation to apply a suitable evaluation strategy. This kind of research plays a crucial part in identifying problems of the current labour market reforms and their actual implementation.

Heckman and Smith (2004) display the participation decision for a prototypical voluntary labour market programme as a process of five steps that all have to be passed through so that participation takes places. These five steps are: 1. eligibility, 2. awareness, 3. application, 4. acceptance and 5. enrolment. This concept can be applied to the typical situation of the selection into One-Euro-Jobs. However, the single steps cannot always clearly be disentangled.

We have information on the participation decision from two different sources. First, we analysed legal requirements and documents of the Federal Employment Agency. According to

them, eligibility is affected by legal requirements. Second, we conducted a survey of case managers in late 2005 (Wolff / Hohmeyer 2006). We firstly describe the five steps shortly according to the two sources. This is followed by a more detailed description of each step. This survey showed that typically either an eligible (*Step 1: eligibility*) unemployed enquires about participation in a work opportunity or the participation in general is suggested by the case manager (*Step 2: awareness*). It is rarely the case that an unemployed person approaches his case manager with a concrete work opportunity that he has found. Typically, it is the case manager who proposes a concrete work opportunity to the unemployed needy person (see also the suggestion form for work opportunities on the homepage of the Federal Employment Agency) (*Step 3: proposal*), who then has to attend an interview with the operating establishment (*Step 4: interview and acceptance*). If the unemployed individual is accepted by the establishment, he can start the One-Euro-Job (*Step 5: enrolment*). In our results, we cannot distinguish between the different steps. However, they make clear which mechanisms in a selection could be at work. They furthermore clarify that the selection into programme is no single event but a process. The selection depends on different restrictions, legislative, executive as well as judicial ones.

Unemployed individuals do not necessarily begin a One-Euro-Job voluntarily, as this programme can also be used as a work test in order to check whether unemployed persons are available to job placement and willing to cooperate. A refusal to start a One-Euro-Job can be sanctioned with a cut of unemployment benefits.

Step 1: Eligibility

Unemployed individuals who receive UB II are eligible for participation in One-Euro-Jobs. As we consider only unemployed recipients of UB II we cannot regard the determinants of eligibility. Although we do not look at this step, we can reasonably investigate the determinants of participation or as Heckman and Smith (2004) put it: "Getting these groups to participate in employment and training programs (...) requires more than just making them eligible for program services." Nevertheless, eligibility is regarded insofar as we consider the relevance of defined target groups for One-Euro-Jobs.

Step 2: Awareness

Due to high media coverage of One-Euro-Jobs a *general knowledge* can be presumed. However, it cannot be assumed that unemployed persons know in detail whether they are eligible, which types of One-Euro-Jobs exist and, e.g., for those who have small children what the options for child care are. According to Heckman and Smith (2004) we can expect that language skills, education and access to a network of persons who have heard of the programme or have participated themselves raise the likelihood that one knows about work opportunities.

Furthermore, *frequency of contacts* to the local employment agency plays a role, because case managers should inform unemployed needy persons about One-Euro-Jobs. Therefore, we can assume that the person in a household, who is authorised to deal with the request for unemployment benefits for the household, is more likely to be informed about work opportunities by

the case manager. Moreover, the awareness depends on the respective *case manager* and the *local employment agency*. The local employment agency determines the implementation of One-Euro-Jobs, e.g., by deciding how many unemployed are placed, who is placed (targeting) and what kind of One-Euro-Jobs are established. The case manager's inclination to inform the unemployed about work opportunities is influenced by these decisions and of course by target groups that are required by law. The case manager is especially inclined if the unemployed belongs to a defined target group or if the unemployed has good prospects to be integrated into the regular labour market (cream skimming).

Step 3: Proposal

The likelihood to receive a proposal of a concrete One-Euro-Job is not only dependent on the inclination of the case manager but also on the availability of suitable positions. Hence, also individual characteristics are essential.

Individual qualification may therefore be important. E.g., if there are One-Euro-Jobs with certain qualification requirements available, only qualified individuals may take part. That is why cream skimming may play an important role. Case workers may have an incentive to place rather highly skilled persons to a One-Euro-Job because integration into the labour market after the programme is easier to achieve for them than for persons with lower qualification and case managers are often evaluated by integration rates.⁵ Furthermore, also the household context is likely to be important, e.g. the existence of (small) children in the household. If child care availability is a problem, it is less probable that persons with small children will get a proposal for a One-Euro-Job. This argument also holds for individuals who are currently working, predominantly in minor employment, and not earning enough to live on. They would not have the time to participate in a One-Euro-Job without giving up their present employment which (in the short run) would be efficient neither for themselves nor for employment agencies. Moreover, the before mentioned use as a work test could motivate case managers to propose a One-Euro-Job to higher qualified persons.

Furthermore, it is likely that defined target groups like for example young unemployed or foreigners will get a proposal for a One-Euro-Job as social worker should propose them.

Step 4: Interview and acceptance

The interview and then an acceptance decision follow the proposal. Therefore, it is highly likely that this also depends on personal characteristics. As the result of the interview not only depends on the unemployed person but also on the firm side, it is likely that creaming could take place to some extent. However, it is also possible that no interview takes place and the social worker assigns some individuals directly to a One-Euro-Job.

⁵ As Handler (2003) shows this is also empirically relevant for several countries.

Step 5: Enrolment

There is no random assignment like in the example of Heckman and Smith (2004). The actual enrolment after acceptance can only be prevented by failure to appear. This is influenced by health and opportunities of illegal employment. However, non-enrolment can be sanctioned by cuts in UB II payments. Therefore, it is again personal characteristics that count for enrolment. Someone who has to take care of anyone, e. g., for a child, is less likely to provoke such a benefit sanction.

5 Data and method

5.1 Data

For our analyses we are relying on a rich administrative dataset containing individual information on personal characteristics and on the unemployment as well as the employment history (sample of the Integrated Employment Biographies IEB version 5.00). Moreover, there is this very same information also for the partner (not only married partner but partner living in the same household) of the unemployed individuals. This is only possible for the new data on unemployment benefit II recipients because of the labour market reforms in January 2005 that defined neediness in a household context. We rely on the new UB II dataset 'Leistungshistorik Grundsicherung' (LHG version 1.00). Furthermore, we include information on regional labour market characteristics like the unemployment rate as well as the trend in the unemployment rate (on the district level). Also, regional labour market types developed by Rüb and Werner (2007) are included. Furthermore, we include regional information on the availability of child care facilities in districts (Statistische Ämter des Bundes und der Länder 2004).

We analyse a random sample from the unemployment stock on 31st January 2005 who receives UB II. Participants start a One-Euro-Job between February and April 2005. Here, only the first programme start of the participants in this time frame is considered. Later programme starts in the same timeframe are therefore ignored. Non-participants do not start such an employment programme in spring 2005.⁶

The dataset contains 467,082 observations with 379,990 control individuals and 87,092 treated individuals. After excluding cases because of missing values in relevant covariates (7,045), an age restriction from 15 to 62 years (2,209), missing values because of the combination of IEB and LHG datasets (48,118), participation in ALMP on 31st January 2005 (10,988) and not being unemployed directly before the programme start or virtual programme start (36,526) there remain 289,303 untreated individuals as well as 72,883 treated individuals.

Because of the rich information in the dataset we include a variety of covariates we assume influencing the assignment into One-Euro-Jobs. First of all, we include socio-demographic

⁶ The dataset only considers individuals not in the responsibility of districts or towns (69 out of 439) which are not cooperating directly with the Federal Employment Agency as the data was not available.

variables on age, impairment of health and disability, nationality, marital status, children and qualification of the individuals.⁷ Next, we consider variables on the unemployment history as cumulated unemployment duration, cumulated receipt of unemployment insurance (UI), cumulated receipt of unemployment assistance (UA) and cumulated duration of out-of-labour force (neither being employed nor unemployed). We also include UI and UA receipt on 31st December 2004. Then, we incorporate variables on employment such as the cumulated regular employment duration as well as information on the last job (sector, firm size, earnings). Also, the distance to the labour market is regarded by using a variable on the duration since the last end of a job and a variable on the mean duration of last jobs. We also include, whether individuals have a minor employment (mini job) on 31st January 2005. Only for women, we take into account if they are looking for a part-time job. Furthermore, there are variables on the history of the participation in active labour market programmes. Moreover, we consider several interaction terms with age: age interacted with regular employment in the past as well as the interaction between age and vocational training. The effects could be different for younger individuals because for them the probability is higher of not having any vocational training and longer regular employment spells. Then, we include some information about the partner, such as qualification, out-of-labour-force times and if the partner is unemployed on 31st January 2005. Furthermore, we included the information on the share of children under the age of three who is looked after in a daycare facility.⁸ And finally, we control for regional characteristics on the one hand with the local unemployment rate and its trend, the vacancy-unemployment ratio and its trend and the percentage of long-term unemployed and its trend. On the other hand, we also include the regional classification of labour market types according to Rüb and Werner (2007) into twelve district types. The descriptive statistics of the dataset is shown in Table 3 in the Appendix.

5.2 Method

The main question of our analysis is: what are the determinants for the participation in a One-Euro-Job? As there are only two observable outcomes (participation and non-participation) the dependent variable is binary and can only take the values 0 or 1. Thus, there exists a class of binary choice models (Verbeek 2004) that cope with these challenges. These models describe the probability that y_i equals 1:

$$P\{y_i = 1 \mid x_i\} = G(x_i, \beta)$$

The function G should only take on values in the interval $[0,1]$. Usually, functions of the form $G(x_i, \beta) = F(x_i' \beta)$ are chosen where F also has to be in the range of $[0,1]$. Commonly, the standard normal distribution is chosen leading to the so-called probit model.

⁷ The variable if the person is the head of the household or authorised could not be included as there has not been any variance for participants. 99 percent of participants are the head of the household.

⁸ We included the share for the year 2002, as no later years have been reported before 2005 (Statistische Ämter des Bundes und der Länder 2004).

We estimate the selectivity into One-Euro-Jobs with the help of binary probit models and we take heterogeneity of participants into account by estimating separate models. We compute different models for men and women in East and West Germany for the following reasons: The unemployment rate in West Germany at 9.8 percent in the year 2005 is roughly half as high as that of East Germany.⁹ Hence, the availability and use of One-Euro-Jobs as well as the selection into One-Euro-Jobs is probably different. We conduct separate estimates for men and women as the labour market behaviour is different for men and women.¹⁰ We specify our models by assessing non-linearities in the set of independent variables. Therefore, we use several dummy variables instead of ordinal or metric variables such as age or the cumulated unemployment duration. Then, we test these dummy variables with Wald tests on equal coefficients in the categories. We proceed with the "from general-to specific" approach. We started with the most general model and the largest set of possible independent variables. Then, for testing hypotheses about the coefficients, we chose with the help of Wald tests a simpler and statistically valid specification.¹¹ In order to be able to interpret the coefficients not only for the sign, we calculated marginal effects. Except for regional variables, the variables in the equations are dummy variables. Therefore, the marginal effects are calculated at zero values of the covariates. For the regional variables, which are continuous, we calculated the marginal effects at the weighted means.

As the treatment group is the population of programme starts in the mentioned time frame and the non-participants are only a sample, we use weighted models. Otherwise, the proportion of transition from unemployment into One-Euro-Jobs would be overestimated. Hence, the coefficient for the constant in the probit regression would be biased and as a result, individual selection probabilities would be too high. Therefore, the marginal effects would also be estimated inconsistently as they depend on the individual probabilities (King / Zeng 2001).

6 Results

In Table 4 in the Appendix, you can find the probit estimates for East and West Germany where the effect of gender is quantified. Tables 5 to 6 show the results for all four sub-groups: men and women in East and West Germany. During the next sections, we discuss the results, namely of the variable coherences we have derived within chapter 4. Other variables are important control variables as e.g. regional variables that are highly significant. Therefore, it is important to include them to control for regional impacts beyond East and West German differences.

⁹ The rate of registered unemployment is considered here.

¹⁰ The effect of gender in a model with men and women is significant. West German women start a One-Euro-Job with a lower probability than West German men (see Table 4)

¹¹ We only excluded variables that have been tested out in all models, these are interaction terms with age and unemployment, programme participation during the last year as well as several partner variables (school, employment and unemployment).

We have explained different steps leading to One-Euro-Job participation. As we have not defined a structural model we cannot disentangle the estimated effects and assign the results to a single step. We can only guess from the results that one of the steps may be more important than others.

6.1 Socio-demographics

Gender plays a role in the participation process. West German women participate with a 1.5 percentage point lower probability in a One-Euro-Job than comparable West German men (Table 4). The relationship is the other way around in East Germany. Women in East Germany participate with a 0.63 percentage points higher probability than comparable men. These findings that women in West Germany have a lower participation probability than those in East Germany are in line with results on other active labour market programmes and labour market orientation in general (Caliendo et al. 2004, Heinemann et al. 2006, Holst / Schupp 2001, Wanger 2005). They may be explained, e.g., by different labour market orientations of women as well as by different child care opportunities in both regions. To gain more certainty about the driving factors for the differences a Blinder-Oaxaca decomposition of the effects for logit/probit models (Fairlie 2006) is conducted and described in Section 6.4. However, it is the group of West German women who in evaluation studies shows positive effects with respect to the regular employment rate for public employment programmes such as job creation schemes as well as One-Euro-Jobs (Caliendo et al. 2004; Hohmeyer / Wolff 2007). One explanation for such positive results may be the selective usage of the instrument. We discuss here the results for the separate equations in order to get an explanation for this selection.

The reference transitional probabilities are clearly higher for East Germany than for West Germany (Tables 5 and 6). While in East Germany the reference transitional probabilities equal about twelve percent for men and women, in West Germany this probability is about five percent for men and two for women. In East Germany, there are barely differences in reference transitional probabilities for both men and women whereas in West Germany such differences exist.

Broadly speaking, the probability of participation decreases with age. The probability is highest for those unemployed individuals who are aged 24 or younger. Interestingly, there is no significant difference between the reference group of 15 to 20 year olds and the age group 21 to 24 years. For the older age groups the effects are clearly negative. This can be traced back to the legal requirement that says that unemployed persons below the age of 25 have to be placed to vocational training, employment or work opportunities immediately after having registered unemployed (§3 (2), Social Code II) which is operationalised by the Federal Employment Agency that no person below the age of 25 should be registered unemployed for more than three months (Bundesagentur für Arbeit 2006b).

Besides the negative effect of age we have expected that there would be a weaker effect for persons who are 58 or older than for those between 51 and 57 years. Selectivity may already take place in the decision of older unemployed of being available for the labour market and

still registered as unemployed. There are special regulations for unemployed over 58 years who are allowed to orientate into retirement and do not have to sign an integration contract.¹² Therefore, potential participants ("people at risk") are differently motivated over the age of 58 and are already a selective sample. However, a higher participation probability cannot be observed. The marginal effect is slightly stronger negative than for the next younger age group. Probably, the number of observations for this age group is not large enough or case managers do not expect this age group to participate and thus One-Euro-Jobs are not used as a work test for them.

Unemployed individuals with health problems or disability are potentially harder to place. However, they have even a slightly smaller probability to participate in a One-Euro-Job than unemployed without any health constraints and are not especially promoted by these public employment programmes.

Turning to the influence of nationality, we can state that Germans without migration background have the highest probability to be assigned into a One-Euro-Job. This is contrary to the before mentioned target groups (defined by the Federal Employment Agency). However, this is consistent with the hypothesis of Heckman and Smith (2004) that language skills matter for awareness of a programme which reduces participation probabilities of foreigners. Almost all analysed foreigner and migrant groups have a lower probability to participate compared to comparable Germans. The only exception is the case of unemployed people from the former Soviet Union in East Germany, where no significant effects occur. Turkish unemployed persons have the lowest participation probability compared to German unemployed.

Singles do not seem to have a higher participation probability than unemployed persons with a partner; the effects are insignificant. The only exceptions are West German female singles who have a higher probability than women with a partner (1.8 percentage points). Married women have the lowest participation probability. For unemployed men it does not matter for their participation probability whether they have children or not. West German women have a 1.4 percentage points lower probability to participate if they have a child of less than three years compared to women without children below three years. However, having children or not in general makes no difference for West German women. On the contrary, East German women with children have a higher inclination to start a One-Euro-Job than without (0.9 to 1.7 percentage points). Yet, they have an almost four percentage points lower likelihood to enter the programme with children younger than three years. This is remarkable as persons caring for a child younger than three years do not have to be available to job placement but can register as unemployed on a voluntary basis (§10 (1), Social Code II). Thus, one could assume that this group is particularly motivated (as argued before for older unemployed over 58 years). However, maybe it is the case managers who do not expect these women to participate in a One-Euro-Job (for example, in the function of One-Euro-Jobs as work tests) or because of lacking

¹² This is regulated in § 65 Abs. 4 SGB II i. V. m. § 428 SGB III.

child care facilities. This points in the direction that the proposal may be an important step for the participation decision.

Turning to qualification it becomes visible that there are also substantial differences for men and women. For men, there are merely no significant effects. In West Germany, there are negative effects for better educated men (with A-level or with GSCE and vocational training). Men in East Germany have a higher participation likelihood with secondary school degree than without. There are more significant effects for women, who have higher participation probabilities with degree than without degree. The highest likelihood for West German women exists for those with a medium qualification compared to no qualification degree (0.7 percentage points higher for secondary school with vocational training with a reference probability of two percent). Better educated East German women have a higher inclination to start a One-Euro-Job (more than four percentage points with a reference probability of 12 percent). Maybe for women without or with low qualification there is a lack of suitable One-Euro-Jobs or they orientate themselves less towards labour market participation.

6.2 Labour market history

Cumulated unemployment duration during the last year as well as during the last five years makes a difference for the assignment into One-Euro-Jobs. Unemployed individuals in all four sub-groups with a longer unemployment duration than six months during the last year are more likely to participate than individuals with a cumulated unemployment duration of less than six months.

Persons with periods in which they have been out-of-labour-force are a target group of One-Euro-Jobs as they are probably more distant to the labour market and first have to learn the preconditions for work. These periods in which persons have neither worked nor had to be available to the labour market may be plausible e.g. for spouses of former UA recipients (or of persons who have been employed before). Also young adults may be affected due to education.¹³ The results show that the existence of times without any registration in unemployment or employment has an impact on the participation. However, this is in the opposite direction than policy guidelines might suggest: Unemployed individuals with such gaps have a lower participation probability than individuals with no such gaps. However, the results are only significant until a certain cumulated duration (for women until 18 months, for men longer, however it is sporadically significant for East German men). Different results for these variables that represent the distance to the labour market may occur because the proxy for out-of-labour-force probably does not measure exactly out-of-labour-force as also times of free-lancing or for civil servants may be included in this variable.

A higher cumulated duration of regular employment during the last five years in East Germany goes along with a lower probability to begin a One-Euro-Job. This points in the direction that

¹³ However, persons not registered may also be freelancer or civil servants.

persons with low labour market attachment are targeted which is actually one of the defined target groups.

Regarding past participation in active labour market programmes one can observe that the number of past programmes is positively related to the participation probability for all groups. This can be regarded as a hint that “programme careers” exist. It could also be a hint that persons with difficulties of finding a job already participated in the past. However, the type of former programme matters: participation in job creation schemes (which are to some extent similar to One-Euro-Jobs) and other programmes increase the probability while private employment subsidies and start-up subsidies decrease the participation probability.

There is a strong negative effect for minor employment on 31st January 2005. This is only surprising at first sight, because on the one hand the needy person should be available for the labour market and should be open to end his/her neediness. On the other hand, minor employment and One-Euro-Jobs are both part-time and could thus be combined within certain limits. However, both the labour market agency and the unemployed individual are better off with only minor employment and without One-Euro-Job: The unemployed person works less with approximately the same earnings. This is less expensive for the agency. Furthermore, One-Euro-Jobs should be targeted at the hard-to-place individuals. However, are persons with a mini job really hard to place? Probably, they have better chances of reintegration coming from their minor employment.

Furthermore, we controlled for variables concerning the last job. Regarding the industry of the last contributory job it becomes obvious that sectors like public administration, defence, social security, health care, education and other services come along with a higher probability of starting a One-Euro-Job compared to manufacturing whereas construction (in East Germany) and retail trade and hotels / restaurants (not for women in West Germany) come along with a lower participation probability. The overall impression is that probability is higher if the industry of the last contributory job is a typical sector in which One-Euro-Jobs exist such as health, education and public administration.¹⁴ This hints to the idea that only those unemployed are proposed for a One-Euro-Job and accepted who are qualified for the job, e.g. by former employment in the particular industry.

6.3 Partner information

Most of the variables with information about the partner do not have a significant influence. Concerning gaps in the employment and unemployment history, which are used as a proxy for out-of-labour-force, the probability to participate in East Germany is higher for individuals whose partner has no such out-of-labour-force times as there are negative signs for durations longer than zero. This is contrary to West Germany, where the participation probability is high-

¹⁴ Following Bellmann et al. (2006), One-Euro-Jobs are predominantly located in establishments belonging to the industries of public administration, education, health and care and sports and culture.

her for individuals whose partner has out-of-labour-force times larger than zero. However, not all marginal effects are significant. Only the cumulated duration of 43 to 60 months out-of-labour-force is significant for all four groups, negative in East Germany and positive in West Germany.

There seems to be a difference in the assignment mechanism in both regions. In West Germany, individuals whose partner is very distant to the labour market start a One-Euro-Job, whereas in East Germany this is the case for individuals with partners attached to the labour market or at least included in the labour market and employment statistics.

Yet, the partner's current unemployment does not seem to have any influence on the participation. This variable is not significant. Therefore, we cannot support the hypothesis raised by Caliendo et al. (2004) that women in West Germany are more likely to participate if their partner is unemployed (see chapter 3).

Also, the qualification of the partner has no significant effect. But the effect is significant and negative in West Germany for individuals whose partner has only missing information on the qualification and for those whose partner has no identification number. The latter could also be a sign of the partner being very distant to the labour market which supports the above mentioned relationship for West Germany.

6.4 Decomposing participation differences

Analyses of the participant structure show that West German women have a much lower probability of starting a One-Euro-Job than all other groups, thus compared to West German men but also compared to East German women (Bernhard et al. 2006, Wolff / Hohmeyer 2006). Why should women in different regions in Germany have different participation probabilities? There could be various reasons for these differences. On the one hand, differences in the characteristics of women in both regions like the higher educational level or the larger availability of child care facilities in East Germany could account for those differences. On the other hand, differences in the process of selection could be responsible for the gap such as regional differences in the labour market orientation of women or how they are treated by the case workers.

The decomposition analysis technique by Blinder (1973) and Oaxaca (1973) can be used to differentiate between such effects caused by group differences in the distribution of the covariates X ("characteristics effect") and caused by differences in the process determining the participation ("discrimination effect"). Fairlie (2006) extended this technique which was designed for linear regressions for the decomposition of estimates of probit and logit models.

The decomposition of the differences in the participation probabilities can be written as

$$P^E - P^W = P^E - P^E_W + P^E_W - P^W = D + Q$$

where P^E is the average probability of women in East Germany to start the programme and P^W the same for West German women. The effect D due to differences in unobserved characteris-

tics (often labelled as "discrimination effect") is defined by the difference of the participation probability of East German women (P^E) and the participation probability of East German women if they behaved (or were treated) like West German women (P^E_W). The effect Q due to differences in characteristics can be written as the difference between participation probability of East German women if they behaved like West German women (P^E_W) and the participation probability of West German women (P^W). In this term the coefficients are held constant. It indicates the extent to which different probabilities starting a One-Euro-Job can be attributed to different observed characteristics of the participants in East and West Germany.¹⁵

We concentrate on the effect Q as we are interested in the differences caused by observable variables. We disaggregate Q in the contributions of the single covariates included in the analyses. Here, we rely on the covariates from the probit models except for the regional classification of labour market types that differs in East and West. Results are displayed in Table 7.¹⁶

Women in East Germany have a 4.4 percentage points higher probability of starting a One-Euro-Job than West German women (7.0 % compared to 2.6 %). More than half of the difference (63.1 %) between the two groups can be explained by differences in the covariates. Characteristics effects account for a difference in probabilities of 2.8 percentage points. One explanation of the difference is the higher share of child care facilities in East Germany. This higher share explains more than six percent of the complete gap in the participation probabilities. Furthermore, structural differences in the population of unemployed benefit recipients can explain the difference to some extent. For example, distinct levels of qualification account for almost 15 % of the differences in the participation probability. The higher level of qualification of East German Women can be seen as one main reason for the higher probability to start a One-Euro-Job of this group. These results are in line with results on female labour market participation in general in East and West Germany (Grundig 2007).

Besides, the participation gap can be partly explained by differences in unemployment duration as well as nationality. For example, the higher share of foreigners in West Germany accounts for 10.2 % of the differences in the participation probabilities.

The unexplained part can probably be traced back to general differences in the intensity of labour market policies between East and West Germany as the participation rate is generally higher in East Germany.

¹⁵ One may also want to compare men and women in West Germany directly. These results are not discussed here and are available on request.

¹⁶ We display results in three versions: the two different decomposition bases East and West as well as estimates from a pooled sample of the two groups. The latter specifies that the coefficients from the pooled model over all cases are used for the decomposition. However, we concentrate in the discussion on the results in the first column (East Germany as base). We used the ado-procedure *fairlie*.ado which we amended in order to include population weights.

7 Summary and conclusion

In this paper the determinants for unemployed means-tested benefit recipients of starting a One-Euro-Job in spring 2005 are analysed. Furthermore, we wanted to find out whether unemployed with specific problems and unemployed belonging to defined target groups are especially focussed by One-Euro-Jobs. For the analyses, the method of probit analyses has been applied to estimate the determinants of starting a One-Euro-Job for men and women in East and West Germany using rich administrative datasets. The results in the overall model showed that women in West Germany have a much lower probability than men to participate. However, East German women have a higher participation probability than East German men. As selection appears to be different for men and women and in order to investigate these differences, we estimated the models separately for men and women.

Gender specific differences become apparent when considering the impact of children on participation probabilities. For men, children do not make any difference for the likelihood of taking up a One-Euro-Job but they do for women. While children in general do not have an impact on the participation probability of West German women, they increase the chances for East German women. However, both have a lower likelihood of participating if their children are younger than three years. This is remarkable as persons caring for a child with less than three years do not have to be available to job placement but can register as unemployed on a voluntary basis. Thus, one could assume that this group is particularly motivated. However, maybe the probabilities are lower because of lacking child care facilities or because of the case managers who do not expect these women to participate in a One-Euro-Job (for example, in the function of One-Euro-Jobs as work tests).

Turning to qualification it becomes visible that the focus on target groups is even worse for women than for men. Men in West Germany have a lower participation probability with higher qualification. For men in East Germany, there are merely no effects of qualification whereas women have higher participation probabilities with a degree than without one. It could be the case that there is a lack of suitable One-Euro-Jobs for women without or with low qualification or that these women orientate themselves less towards labour market participation.

From analyses of the participation structure of One-Euro-Jobs we know that East German women have a significantly higher likelihood of participating than West German women. We employed a decomposition analysis to investigate to which extent this difference can be attributed to differences in observed characteristics. In our sample the participation probability differs by 4.4 percentage points between East and West German women. More than half of the differences can be explained by differences observed in the values of the covariates.

One element is child care facilities which are traditionally more prevalent in East than in West Germany (Statistische Ämter des Bundes und der Länder 2007) and thus enable women to participate in the labour market. Furthermore, results show that women without a vocational degree are less likely to participate in a One-Euro-Job. In West Germany in 2005, 64 % of unemployed women receiving UB II do not have a qualificational degree. This share is twice as

high as in East Germany where only 32 % of unemployed and needy women do not have a degree (Wolff / Hohmeyer 2006). A decomposition analysis shows that these differences can account to some extent for the differences in the female participation rates between the two German regions. Qualification can account for nearly 15 % of the differences and child care facilities for further 6.6 %. In addition, differences in participation probabilities can be explained partly by the structure of unemployed benefit recipients concerning for example unemployment history and nationality.

Besides gender, age is an important determinant of participation in a One-Euro-Job. The highest probability of participating can be found for unemployed and needy persons below the age of 25 probably due to the legal requirement (§3 (2), Social Code II). Thus, young unemployed people are reached as a special target group but not those who are 50 years and older. Despite their definition as a target group of One-Euro-Jobs foreigners except for those from the former Soviet Union in East Germany have a lower probability of participating than Germans without migration background. This may hint to the importance of language skills. If you consider periods of un- and non-employment in the past as an indicator for labour market distance, the impression is ambiguous. While the cumulated duration of unemployment increases the participation probability, periods out-of-labour force reduce the probability. So, we cannot clearly say whether One-Euro-Jobs focus on persons who are particularly hard to place. Further selection mechanisms are supposed to be at work.

Besides the investigation of the concentration of One-Euro-Jobs on target groups we find several further interesting aspects of selectivity of the programme. First, we find support for the existence of programme careers: The number of participations in active labour market programmes in recent years increases the probability of participating in a One-Euro-Job. Type of programme matters: while participation in job creation schemes and other programmes increase the likelihood, private employment subsidy and start-up subsidy decrease the probability. Second, there is a strong negative effect for minor employment on 31st January 2005. This is only surprising at first sight, because on the one hand the needy person should be available for the labour market and should be open to end his/her neediness. However, both the labour market agency and the unemployed individual are in many cases financially better off with only minor employment than with a One-Euro-Job. Furthermore, One-Euro-Jobs should be targeted at the hard to place individuals. Third, concerning the industry of the last contributory job it becomes obvious that sectors like public administration, defence, social security, health care, education (only in West Germany) and other services increase the probability of starting a One-Euro-Job compared to manufacturing as a last sector whereas construction (in East Germany) and retail trade and hotels / restaurants (not for women in West Germany) decrease the probability. The participation probability seems to be higher if the last sector is a typical sector for One-Euro-Jobs such as health, education and public administration.

So overall, we conclude that target groups are reached only partially. This is in line with results from international workfare studies. Whether this is due to the use of One-Euro-Jobs as a work test or due to cream skimming by case managers or firms or caused by other factors can-

not be answered here. Our results cannot show which step in the theoretical framework mostly influences the participation as all steps should influence the assignment itself. As special target groups are not fully reached with One-Euro-Jobs, it is likely that also the interaction of different steps plays an important role. However, we suggest that the proposal in the local employment agency could be very important as the following steps are based on this decision and the case managers have the opportunity to anticipate the following steps.

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Appendix

Table 2
Public employment programmes

| Programme | Characteristics |
|------------------------------|--|
| Job creation schemes | <ul style="list-style-type: none">- additional works of public utility- wage subsidies- Participant receives usual wage.- Subject to social security contribution except unemployment insurance- Duration of up to twelve months |
| Work opportunities with wage | <ul style="list-style-type: none">- Not necessary additional works of public utility- wage subsidies- Participant receives usual wage.- Subject to social security contribution- Duration of less than twelve months |
| One-Euro-Jobs | <ul style="list-style-type: none">- additional works of public utility- lump sum to the organisation that covers allowance and further costs of carrying out one Euro Jobs.- Participant receives allowances of one to two Euros per hour additional to unemployment benefits II.- No contribution to social security- Duration of normally up to six months |

Table 3
Descriptives for men and women in East and West Germany

| | East Germany | | West Germany | |
|--|--------------|-------|--------------|-------|
| | Men | Women | Men | Women |
| Age in years | | | | |
| 15-20 | 0,03 | 0,03 | 0,03 | 0,04 |
| 21-24 | 0,09 | 0,07 | 0,07 | 0,07 |
| 25-30 | 0,12 | 0,10 | 0,13 | 0,13 |
| 31-35 | 0,11 | 0,12 | 0,13 | 0,13 |
| 36-40 | 0,14 | 0,16 | 0,15 | 0,16 |
| 41-45 | 0,17 | 0,18 | 0,16 | 0,16 |
| 46-50 | 0,15 | 0,15 | 0,13 | 0,13 |
| 51-57 | 0,18 | 0,18 | 0,17 | 0,16 |
| 58-62 | 0,02 | 0,01 | 0,02 | 0,03 |
| impairment of health or disabled | 0,14 | 0,10 | 0,18 | 0,12 |
| Nationality | | | | |
| German without migration background | 0,91 | 0,92 | 0,73 | 0,73 |
| German with migration background | 0,02 | 0,03 | 0,06 | 0,06 |
| Turkish | 0,02 | 0,01 | 0,08 | 0,07 |
| Soviet Union | 0,01 | 0,02 | 0,03 | 0,04 |
| other foreigners | 0,03 | 0,03 | 0,11 | 0,10 |
| No partner | 0,60 | 0,54 | 0,60 | 0,63 |
| Partner, not married | 0,11 | 0,11 | 0,07 | 0,07 |
| Children | | | | |
| No children | 0,76 | 0,48 | 0,75 | 0,61 |
| One child | 0,13 | 0,27 | 0,11 | 0,21 |
| Two children | 0,08 | 0,18 | 0,09 | 0,12 |
| Three and more children | 0,04 | 0,07 | 0,06 | 0,06 |
| Child under three years (yes) | 0,01 | 0,01 | 0,01 | 0,01 |
| Vocational Education | | | | |
| no secondary schooling degree/no vocational training | 0,13 | 0,12 | 0,23 | 0,28 |
| Secondary school, no vocational education | 0,12 | 0,11 | 0,28 | 0,28 |
| Secondary school, vocational education | 0,30 | 0,21 | 0,29 | 0,20 |
| GCSE, no vocational training | 0,05 | 0,06 | 0,04 | 0,05 |
| GCSE, vocational training | 0,34 | 0,45 | 0,08 | 0,11 |
| A-levels, no vocational training | 0,01 | 0,01 | 0,02 | 0,02 |
| A-levels, vocational training | 0,02 | 0,02 | 0,03 | 0,03 |
| A-levels, college | 0,03 | 0,02 | 0,03 | 0,03 |
| Cumulated duration of unempl., 02/2004 to 01/2005 | | | | |
| 0 to 6 months | 0,15 | 0,17 | 0,20 | 0,40 |
| 7 to 12 months | 0,85 | 0,83 | 0,80 | 0,60 |
| Cumulated duration of unempl., 02/2000 to 01/2005 | | | | |
| 0 months | 0,05 | 0,08 | 0,08 | 0,27 |
| 1 to 6 months | 0,07 | 0,08 | 0,10 | 0,14 |
| 7 to 18 months | 0,20 | 0,18 | 0,26 | 0,23 |
| 19 to 24 months | 0,12 | 0,10 | 0,13 | 0,09 |
| 25 to 30 months | 0,13 | 0,11 | 0,11 | 0,07 |
| 31 to 36 months | 0,14 | 0,12 | 0,10 | 0,06 |
| 37 to 48 months | 0,28 | 0,33 | 0,23 | 0,14 |

Table 3 continued
Descriptives for men and women in East and West Germany

| | East Germany | | West Germany | |
|--|--------------|-------|--------------|-------|
| | Men | Women | Men | Women |
| out-of-labour force during last year | 0,21 | 0,20 | 0,29 | 0,44 |
| Cum. dur. neither empl. nor job-seeker, 01/2000 to 12/2004 (out-of-labour-force) | | | | |
| 0 months | 0,42 | 0,48 | 0,28 | 0,21 |
| 1 to 6 months | 0,27 | 0,18 | 0,33 | 0,20 |
| 7 to 12 months | 0,10 | 0,06 | 0,10 | 0,08 |
| 13 to 18 months | 0,04 | 0,04 | 0,06 | 0,06 |
| 19 to 24 months | 0,04 | 0,05 | 0,04 | 0,05 |
| 25 to 30 months | 0,02 | 0,04 | 0,03 | 0,05 |
| 31 to 36 months | 0,03 | 0,03 | 0,03 | 0,05 |
| 37 to 42 months | 0,02 | 0,03 | 0,03 | 0,05 |
| 43 to 60 months | 0,06 | 0,09 | 0,09 | 0,25 |
| Cum. dur. of UI receipt from 02/2004 to 01/2005 | | | | |
| 0 months | 0,78 | 0,82 | 0,77 | 0,80 |
| 1 to 6 months | 0,15 | 0,12 | 0,15 | 0,13 |
| 7 to 9 months | 0,05 | 0,04 | 0,05 | 0,04 |
| 10 to 12 months | 0,03 | 0,02 | 0,03 | 0,03 |
| Cum. dur. of UI receipt from 02/2000 to 01/2004 | | | | |
| 0 months | 0,29 | 0,38 | 0,35 | 0,55 |
| 1 to 3 months | 0,08 | 0,11 | 0,08 | 0,06 |
| 4 to 12 months | 0,44 | 0,41 | 0,44 | 0,31 |
| 13 to 18 months | 0,13 | 0,07 | 0,10 | 0,06 |
| > 18 months | 0,05 | 0,03 | 0,04 | 0,03 |
| Cum. dur. of UA receipt from 02/2004 to 01/2005 | | | | |
| 0 months | 0,19 | 0,24 | 0,24 | 0,51 |
| 1 to 3 months | 0,07 | 0,05 | 0,07 | 0,05 |
| 4 to 6 months | 0,10 | 0,08 | 0,09 | 0,06 |
| 7 to 9 months | 0,11 | 0,08 | 0,10 | 0,07 |
| 10 to 12 months | 0,53 | 0,55 | 0,50 | 0,31 |
| Cum. dur. of UA receipt from 02/2000 to 01/2004 | | | | |
| 0 months | 0,29 | 0,30 | 0,37 | 0,61 |
| 1 to 6 months | 0,10 | 0,07 | 0,12 | 0,08 |
| 7 to 12 months | 0,09 | 0,07 | 0,10 | 0,06 |
| 13 to 30 months | 0,27 | 0,25 | 0,21 | 0,13 |
| 31 to 42 months | 0,15 | 0,18 | 0,10 | 0,06 |
| 43 to 48 months | 0,10 | 0,14 | 0,11 | 0,06 |
| UI ben. receipt, Dec. 31st 2004 | 0,04 | 0,04 | 0,03 | 0,04 |
| UA ben. receipt, Dec. 31st 2004 | 0,78 | 0,74 | 0,73 | 0,47 |
| Cumulated dur. of regular employment 01/2000 to 12/2004 | | | | |
| 0 months | 0,44 | 0,61 | 0,36 | 0,50 |
| 1 to 6 months | 0,17 | 0,13 | 0,14 | 0,10 |
| 7 to 12 months | 0,11 | 0,08 | 0,10 | 0,08 |
| 13 to 18 months | 0,11 | 0,08 | 0,13 | 0,11 |
| 19 to 24 months | 0,06 | 0,04 | 0,09 | 0,06 |
| 25 to 30 months | 0,04 | 0,03 | 0,07 | 0,05 |
| 31 to 42 months | 0,05 | 0,03 | 0,09 | 0,06 |
| 43 to 60 months | 0,02 | 0,02 | 0,03 | 0,03 |

Table 3 continued
Descriptives for men and women in East and West Germany

| | East Germany | | West Germany | |
|--|--------------|-------|--------------|-------|
| | Men | Women | Men | Women |
| Interaction terms with age below 25 | | | | |
| Under 25, no voc. training | 0,07 | 0,05 | 0,08 | 0,09 |
| Under 25, no regemp | 0,07 | 0,07 | 0,05 | 0,07 |
| Under 25, up to 12 months regular employment | 0,04 | 0,02 | 0,03 | 0,02 |
| Under 25, more than 12 months regular employment | 0,01 | 0,01 | 0,02 | 0,02 |
| ALMP participation in the last five years (yes) | | | | |
| Job creation schemes | 0,28 | 0,26 | 0,07 | 0,03 |
| Private employment subsidy | 0,10 | 0,07 | 0,07 | 0,03 |
| Further vocational training | 0,21 | 0,22 | 0,15 | 0,11 |
| Retraining | 0,04 | 0,03 | 0,04 | 0,03 |
| Short-term training (classroom) | 0,31 | 0,35 | 0,32 | 0,24 |
| Short-term training (practical) | 0,10 | 0,07 | 0,09 | 0,05 |
| Other short-term training | 0,02 | 0,01 | 0,02 | 0,01 |
| Startup subsidy | 0,02 | 0,01 | 0,03 | 0,01 |
| Private placement service (§37), some tasks of placement | 0,03 | 0,03 | 0,06 | 0,04 |
| Private placement service (§37), all tasks of placement | 0,05 | 0,04 | 0,04 | 0,03 |
| Other ALMP | 0,06 | 0,07 | 0,06 | 0,06 |
| Time since end of last ALMP | | | | |
| 1 to 6 months | 0,00 | 0,00 | 0,00 | 0,00 |
| 7 to 12 months | 0,19 | 0,17 | 0,17 | 0,13 |
| 13 to 24 months | 0,14 | 0,13 | 0,12 | 0,09 |
| > 24 months | 0,16 | 0,15 | 0,13 | 0,09 |
| Number of ALMPs in last five years | | | | |
| No programme participation | 0,27 | 0,29 | 0,37 | 0,54 |
| One | 0,27 | 0,27 | 0,28 | 0,23 |
| Two | 0,22 | 0,22 | 0,17 | 0,12 |
| Three | 0,13 | 0,13 | 0,09 | 0,06 |
| Four | 0,06 | 0,06 | 0,04 | 0,03 |
| Five and more | 0,05 | 0,04 | 0,04 | 0,02 |
| Last professional status | | | | |
| blue-collar worker | 0,33 | 0,21 | 0,51 | 0,25 |
| Skilled worker / foreman | 0,29 | 0,12 | 0,17 | 0,04 |
| White-collar worker | 0,09 | 0,20 | 0,11 | 0,18 |
| Part-time | 0,17 | 0,30 | 0,07 | 0,21 |
| No job yet | 0,11 | 0,17 | 0,14 | 0,33 |
| Firm size of last contributory job | | | | |
| 1 to 20 employees | 0,27 | 0,21 | 0,29 | 0,21 |
| 21 to 50 employees | 0,13 | 0,10 | 0,14 | 0,10 |
| 51 to 100 employees | 0,12 | 0,11 | 0,12 | 0,09 |
| 101 to 400 employees | 0,22 | 0,24 | 0,18 | 0,16 |
| > 400 employees | 0,11 | 0,14 | 0,11 | 0,09 |
| Missing | 0,04 | 0,03 | 0,04 | 0,03 |
| No job yet | 0,11 | 0,17 | 0,14 | 0,33 |
| Last regular monthly real wage (deflated with CPI, 2000=100) | | | | |
| Zero | 0,03 | 0,04 | 0,05 | 0,07 |
| >0 to 500 Euro | 0,05 | 0,05 | 0,05 | 0,07 |
| >500 to 1000 Euro | 0,26 | 0,33 | 0,12 | 0,18 |
| >1000 to 1500 Euro | 0,36 | 0,32 | 0,24 | 0,19 |
| >1500 to 2000 Euro | 0,13 | 0,06 | 0,22 | 0,10 |
| > 2000 Euro | 0,06 | 0,03 | 0,18 | 0,06 |
| Time since end of last contributory job | | | | |
| 1 to 6 months | 0,13 | 0,09 | 0,10 | 0,08 |
| 7 to 12 months | 0,09 | 0,07 | 0,07 | 0,06 |
| 13 to 24 months | 0,17 | 0,14 | 0,17 | 0,14 |
| 25 to 36 months | 0,14 | 0,12 | 0,15 | 0,11 |
| 37 to 48 months | 0,11 | 0,10 | 0,12 | 0,08 |
| > 48 months | 0,25 | 0,30 | 0,25 | 0,21 |

Table 3 continued
Descriptives for men and women in East and West Germany

| | East Germany | | West Germany | |
|---|--------------|--------|--------------|-------|
| | Men | Women | Men | Women |
| Average duration of contributory jobs between 01/2000 and 12/2004 | | | | |
| 1 to 6 months | 0,27 | 0,18 | 0,24 | 0,17 |
| 7 to 12 months | 0,25 | 0,21 | 0,21 | 0,15 |
| 13 to 24 months | 0,16 | 0,17 | 0,17 | 0,14 |
| 25 to 36 months | 0,03 | 0,03 | 0,04 | 0,04 |
| 37 to 60 months | 0,02 | 0,01 | 0,02 | 0,02 |
| Missing | 0,17 | 0,22 | 0,17 | 0,15 |
| Number of contributory jobs in last five years | | | | |
| None | 0,28 | 0,39 | 0,31 | 0,48 |
| One | 0,41 | 0,41 | 0,37 | 0,30 |
| Two | 0,24 | 0,16 | 0,23 | 0,16 |
| Three or more | 0,08 | 0,04 | 0,09 | 0,06 |
| Minor employment, Jan. 31st 2005 | 0,07 | 0,13 | 0,09 | 0,14 |
| Partner's cum. Dur. Neither empl. Nor job-seeker nor unemployment benefit receipt (proxy for out-of-labour force), 01/2000 to 12/2004 | | | | |
| 0 months | 0,14 | 0,18 | 0,04 | 0,08 |
| 1 to 24 months | 0,11 | 0,16 | 0,09 | 0,15 |
| 25 to 30 months | 0,02 | 0,01 | 0,02 | 0,01 |
| 37 to 42 months | 0,01 | 0,01 | 0,02 | 0,01 |
| 43 to 60 months | 0,12 | 0,10 | 0,22 | 0,10 |
| No partner | 0,60 | 0,54 | 0,60 | 0,63 |
| Partner education | | | | |
| No secondary schooling degree/no vocational training | 0,04 | 0,04 | 0,10 | 0,08 |
| Secondary school, no vocational education | 0,05 | 0,05 | 0,07 | 0,09 |
| Secondary school, vocational education | 0,05 | 0,10 | 0,03 | 0,06 |
| GCSE or A-levels, vocational education or college | 0,11 | 0,12 | 0,03 | 0,03 |
| Partner without bak_id | 0,00 | 0,00 | 0,00 | 0,00 |
| No ieb_konto_id | 0,05 | 0,06 | 0,06 | 0,04 |
| Missing | 0,09 | 0,10 | 0,12 | 0,06 |
| Partner unemployed, Jan. 31st 2005 | 0,21 | 0,24 | 0,16 | 0,22 |
| Looking for part-time job | | 0,06 | | 0,22 |
| Proportion of childcare under 3 | 37,49 | 37,70 | 3,69 | 3,88 |
| No job yet | 0,11 | 0,17 | 0,14 | 0,33 |
| Job with missing sector | 0,11 | 0,16 | 0,13 | 0,12 |
| Agriculture, forestry, fishing, mining, energy and water supply | 0,07 | 0,05 | 0,02 | 0,00 |
| Food and tobacco | 0,01 | 0,01 | 0,01 | 0,02 |
| Wood, paper, publishing, printing | 0,01 | 0,00 | 0,01 | 0,01 |
| Chemical industry, engineering, vehical construction | 0,01 | 0,00 | 0,03 | 0,01 |
| Other manufacturing | 0,04 | 0,03 | 0,07 | 0,04 |
| Construction | 0,16 | 0,03 | 0,10 | 0,01 |
| Wholesale trade and car sales | 0,02 | 0,01 | 0,05 | 0,03 |
| Retail trade and hotels/restaurants | 0,04 | 0,10 | 0,07 | 0,11 |
| Transport and communication | 0,03 | 0,01 | 0,05 | 0,02 |
| Services for companies | 0,13 | 0,09 | 0,17 | 0,12 |
| Public adminstration, defence, social security agencies | 0,06 | 0,07 | 0,03 | 0,02 |
| Education | 0,06 | 0,06 | 0,03 | 0,03 |
| Health care, veterinarian and social services | 0,03 | 0,07 | 0,04 | 0,08 |
| Other services | 0,12 | 0,12 | 0,05 | 0,06 |
| Local unempl. rate in January 2005 | 22,87 | 22,99 | 13,03 | 13,17 |
| %age change in local unempl. rate in January 2005 | 8,31 | 8,24 | 14,83 | 16,40 |
| Percentage of LTU in Jan. 2005 | 39,85 | 40,05 | 33,47 | 32,74 |
| total %age change of percentage of LTU in Jan. 2005 | -3,01 | -2,77 | 0,00 | -1,11 |
| Vacancy-unemployment ratio in January 2005 | 0,01 | 0,01 | 0,04 | 0,04 |
| %age change vacancy-unemployment ratio in January 2005 | -10,50 | -10,34 | -7,88 | -9,54 |
| Cities with below average LM conditions, high LTU | 0,42 | 0,40 | 0,19 | 0,19 |
| Urban areas with average labour market cond. | 0,01 | 0,01 | 0,17 | 0,17 |
| Rural areas with below average LM conditions | 0,09 | 0,09 | 0,04 | 0,04 |
| Rural areas in East Germany with severe LM conditions | 0,32 | 0,32 | 0,00 | 0,00 |
| Rural areas in East Germany with svery evere LM conditions | 0,16 | 0,18 | 0,00 | 0,00 |
| Cities in West Germany with average labour market conditions | 0,00 | 0,00 | 0,18 | 0,18 |
| Cities in West Germany with above-average labour market condition | 0,00 | 0,00 | 0,05 | 0,05 |
| Rural areas in West Germany with average LM conditions | 0,00 | 0,00 | 0,19 | 0,17 |
| Rural areas in W. G. with above average LM conditions and high se | 0,00 | 0,00 | 0,05 | 0,06 |
| Rural areas in W. G., very favourite LM cond., seasonal dynamics at | 0,00 | 0,00 | 0,04 | 0,05 |
| Rural areas in W. G., very favourite LM cond. and low LTU | 0,00 | 0,00 | 0,09 | 0,09 |

Table 4
Probit Estimates for East and West Germany

| | East G. | | West G. | |
|--|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Reference transitional probability | 0.1093 | | 0.0639 | |
| Age in years | (reference is 15 to 20 years) | | | |
| 21-24 | -0.0013 | 0.0043 | -0.0043 | 0.0023 |
| 25-30 | -0.0923 *** | 0.0082 | -0.0458 *** | 0.0047 |
| 31-35 | -0.0880 *** | 0.0079 | -0.0457 *** | 0.0047 |
| 36-40 | -0.0867 *** | 0.0078 | -0.0447 *** | 0.0046 |
| 41-45 | -0.0855 *** | 0.0077 | -0.0437 *** | 0.0046 |
| 46-50 | -0.0848 *** | 0.0077 | -0.0456 *** | 0.0047 |
| 51-57 | -0.0873 *** | 0.0079 | -0.0504 *** | 0.0051 |
| 58-62 | -0.0966 *** | 0.0087 | -0.0578 *** | 0.0057 |
| Impairment of health or disabled | -0.0087 *** | 0.0018 | -0.0081 *** | 0.0012 |
| Nationality | (reference is German) | | | |
| German with migration background | -0.0275 *** | 0.0038 | -0.0127 *** | 0.0018 |
| Turkish | -0.0574 *** | 0.0055 | -0.0306 *** | 0.0028 |
| former Soviet Union | -0.0086 | 0.0045 | -0.0179 *** | 0.0024 |
| Other foreigners | -0.0481 *** | 0.0046 | -0.0250 *** | 0.0023 |
| Women (yes) | 0.0063 *** | 0.0014 | -0.0153 *** | 0.0015 |
| No partner | -0.0012 | 0.0039 | 0.0143 | 0.0028 |
| Partner, not married | 0.0004 | 0.0021 | 0.0072 *** | 0.0018 |
| Children | (reference is no child) | | | |
| One child | 0.0085 *** | 0.0018 | 0.0004 | 0.0012 |
| Two children | 0.0133 *** | 0.0023 | -0.0004 | 0.0014 |
| Three and more children | 0.0037 | 0.0028 | 0.0010 | 0.0018 |
| Child below three (yes) | -0.0153 ** | 0.0056 | -0.0096 ** | 0.0030 |
| Vocational Education | (reference is no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0124 *** | 0.0027 | 0.0034 ** | 0.0011 |
| Secondary school, vocational education | 0.0203 *** | 0.0027 | 0.0030 * | 0.0012 |
| GCSE, no vocational training | 0.0071 * | 0.0032 | 0.0011 | 0.0019 |
| GCSE, vocational training | 0.0177 *** | 0.0025 | 0.0003 | 0.0016 |
| A-levels, no vocational training | -0.0057 | 0.0066 | -0.0071 ** | 0.0027 |
| A-levels, vocational training | 0.0200 *** | 0.0048 | -0.0020 | 0.0022 |
| A-levels, college | 0.0024 | 0.0043 | -0.0097 *** | 0.0024 |
| Cumulated duration of unempl., 02/2004 to 01/2005 | (reference is 0 to 6 months) | | | |
| 7 to 12 months | 0.0272 *** | 0.0031 | 0.0154 *** | 0.0020 |
| Cumulated duration of unempl., 02/2000 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | 0.0182 *** | 0.0042 | 0.0193 *** | 0.0026 |
| 7 to 18 months | 0.0157 *** | 0.0045 | 0.0214 *** | 0.0029 |
| 19 to 30 months | 0.0214 *** | 0.0050 | 0.0239 *** | 0.0033 |
| 31 to 36 months | 0.0141 ** | 0.0053 | 0.0183 *** | 0.0035 |
| 37 to 48 months | 0.0081 | 0.0053 | 0.0195 *** | 0.0037 |
| Out-of-labour force during last year | -0.0103 *** | 0.0020 | -0.0060 *** | 0.0012 |
| Cum. dur. neither empl. nor job-seeker, 01/2000 to 12/2004 (out-of-labour-force) | (reference is none) | | | |
| 1 to 6 months | -0.0125 *** | 0.0017 | -0.0056 *** | 0.0011 |
| 7 to 12 months | -0.0157 *** | 0.0027 | -0.0129 *** | 0.0018 |
| 13 to 18 months | -0.0123 *** | 0.0033 | -0.0099 *** | 0.0020 |
| 19 to 24 months | -0.0071 * | 0.0036 | -0.0072 ** | 0.0022 |
| 25 to 30 months | -0.0122 ** | 0.0040 | -0.0079 ** | 0.0024 |
| 31 to 36 months | -0.0065 | 0.0045 | 0.0002 | 0.0026 |
| 37 to 42 months | 0.0026 | 0.0051 | 0.0015 | 0.0028 |
| 43 to 60 months | -0.0091 | 0.0051 | -0.0003 | 0.0028 |
| Cum. dur. of UI receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | -0.0084 ** | 0.0026 | -0.0037 * | 0.0017 |
| 7 to 9 months | -0.0089 * | 0.0040 | -0.0073 ** | 0.0025 |
| 10 to 12 months | -0.0045 | 0.0054 | -0.0021 | 0.0033 |

Table 4 continued
Probit Estimates for East and West Germany

| | East G. | | West G. | |
|--|--|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Cum. dur. of UI receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 3 months | 0.0015 | 0.0025 | 0.0018 | 0.0018 |
| 4 to 12 months | -0.0007 | 0.0022 | -0.0013 | 0.0016 |
| 13 to 18 months | 0.0093 ** | 0.0032 | -0.0031 | 0.0020 |
| > 18 months | 0.0014 | 0.0040 | -0.0036 | 0.0028 |
| Cum. dur. of UA receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 3 months | 0.0042 | 0.0051 | 0.0046 | 0.0032 |
| 4 to 6 months | 0.0029 | 0.0049 | 0.0006 | 0.0030 |
| 7 to 9 months | -0.0097 * | 0.0047 | -0.0072 * | 0.0029 |
| 10 to 12 months | -0.0078 | 0.0048 | -0.0039 | 0.0030 |
| Cum. dur. of UA receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 6 months | -0.0072 * | 0.0028 | -0.0028 | 0.0017 |
| 7 to 12 months | -0.0106 *** | 0.0031 | -0.0041 | 0.0019 |
| 13 to 30 months | -0.0151 *** | 0.0031 | -0.0086 *** | 0.0020 |
| 31 to 42 months | -0.0198 *** | 0.0037 | -0.0147 *** | 0.0026 |
| 43 to 48 months | -0.0247 *** | 0.0042 | -0.0213 *** | 0.0030 |
| UI ben. receipt, Dec. 31st 2004 | -0.0065 | 0.0044 | 0.0055 | 0.0031 |
| UA ben. receipt, Dec. 31st 2004 | 0.0221 *** | 0.0044 | 0.0098 *** | 0.0027 |
| Cumulated dur. of regular employment 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 6 months | 0.0057 * | 0.0025 | 0.0084 ** | 0.0027 |
| 7 to 12 months | -0.0026 | 0.0027 | 0.0046 | 0.0027 |
| 13 to 18 months | -0.0109 *** | 0.0030 | 0.0051 | 0.0030 |
| 19 to 24 months | -0.0175 *** | 0.0037 | -0.0003 | 0.0031 |
| 25 to 30 months | -0.0239 *** | 0.0042 | -0.0008 | 0.0035 |
| 31 to 42 months | -0.0345 *** | 0.0046 | -0.0039 | 0.0036 |
| 43 to 60 months | -0.0512 *** | 0.0062 | -0.0158 *** | 0.0040 |
| Interaction terms with age below 25 | | | | |
| Under 25, no voc. training | -0.0094 * | 0.0039 | -0.0027 | 0.0026 |
| | (reference is under 25, no regular employment) | | | |
| Under 25, up to 12 months regular employment | -0.0156 *** | 0.0045 | -0.0105 *** | 0.0027 |
| Under 25, more than 12 months regular employment | -0.0141 * | 0.0058 | -0.0094 ** | 0.0029 |
| ALMP participation in the last five years (yes) | | | | |
| Job creation schemes | 0.0156 *** | 0.0028 | 0.0209 *** | 0.0030 |
| Private employment subsidy | -0.0219 *** | 0.0026 | -0.0094 *** | 0.0018 |
| Further vocational training | 0.0041 * | 0.0019 | 0.0029 * | 0.0013 |
| Retraining | -0.0063 * | 0.0032 | 0.0000 | 0.0021 |
| Short-term training (classroom) | -0.0037 * | 0.0018 | 0.0033 * | 0.0013 |
| Short-term training (practical) | -0.0056 * | 0.0023 | 0.0038 * | 0.0016 |
| Other short-term training | 0.0031 | 0.0047 | 0.0067 * | 0.0029 |
| Startup subsidy | -0.0334 *** | 0.0043 | -0.0230 *** | 0.0026 |
| Private placement service (§37), some tasks of placement | -0.0086 * | 0.0034 | -0.0054 ** | 0.0018 |
| Private placement service (§37), all tasks of placement | -0.0039 | 0.0029 | -0.0051 ** | 0.0019 |
| other ALMP | 0.0274 *** | 0.0038 | 0.0226 *** | 0.0028 |
| Time since end of last ALMP | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0177 *** | 0.0026 | 0.0116 *** | 0.0018 |
| 13 to 24 months | 0.0097 *** | 0.0024 | 0.0082 *** | 0.0017 |
| > 24 months | 0.0027 | 0.0020 | 0.0053 *** | 0.0015 |
| Number of ALMPs in last five years | (reference is none) | | | |
| One | 0.0186 *** | 0.0027 | 0.0114 *** | 0.0018 |
| Two | 0.0332 *** | 0.0040 | 0.0173 *** | 0.0026 |
| Three | 0.0374 *** | 0.0050 | 0.0235 *** | 0.0035 |
| Four | 0.0407 *** | 0.0060 | 0.0278 *** | 0.0043 |
| Five and more | 0.0428 *** | 0.0069 | 0.0387 *** | 0.0054 |

Table 4 continued
Probit Estimates for East and West Germany

| | East G. | | West G. | |
|---|-----------------------------------|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Industry of last contributory job | (reference is manufacturing) | | | |
| Job with missing sector | -0.0114 ** | 0.0041 | -0.0005 | 0.0027 |
| Agriculture, forestry, fishing, mining, energy and water supply | -0.0049 | 0.0037 | 0.0244 *** | 0.0042 |
| Food and tobacco | -0.0091 | 0.0060 | -0.0008 | 0.0032 |
| Wood, paper, publishing, printing | 0.0045 | 0.0081 | -0.0006 | 0.0035 |
| Chemical industry, engineering, vehical construction | 0.0038 | 0.0075 | 0.0001 | 0.0030 |
| Construction | -0.0177 *** | 0.0036 | 0.0010 | 0.0022 |
| Wholesale trade and car sales | -0.0082 | 0.0050 | -0.0043 | 0.0024 |
| Retail trade and hotels/restaurants | -0.0208 *** | 0.0039 | -0.0034 | 0.0021 |
| Transport and communication | -0.0084 | 0.0045 | -0.0063 ** | 0.0024 |
| Services for companies | -0.0036 | 0.0035 | 0.0056 ** | 0.0019 |
| Public adminstration, defense, social security agencies | 0.0252 *** | 0.0043 | 0.0382 *** | 0.0042 |
| Education | 0.0005 | 0.0039 | 0.0252 *** | 0.0037 |
| Health care, veterinarian and social services | 0.0212 *** | 0.0043 | 0.0313 *** | 0.0034 |
| Other services | 0.0083 * | 0.0035 | 0.0120 *** | 0.0025 |
| Last professional status | (reference is blue-collar worker) | | | |
| Skilled worker / foreman | -0.0058 *** | 0.0017 | -0.0075 *** | 0.0013 |
| White-collar worker | -0.0035 | 0.0020 | -0.0099 *** | 0.0014 |
| Part-time | -0.0003 | 0.0017 | -0.0039 ** | 0.0013 |
| No job yet | -0.0049 | 0.0064 | 0.0012 | 0.0040 |
| Firm size of last contributory job | (reference is 1 to 20 employees) | | | |
| 21 to 50 employees | 0.0047 * | 0.0021 | 0.0057 *** | 0.0014 |
| 51 to 100 employees | 0.0031 | 0.0021 | 0.0083 *** | 0.0016 |
| 101 to 400 employees | 0.0014 | 0.0018 | 0.0050 *** | 0.0013 |
| > 400 employees | -0.0047 * | 0.0021 | 0.0037 * | 0.0016 |
| Missing | -0.0040 | 0.0032 | -0.0018 | 0.0022 |
| Last regular monthly real wage (deflated with CPI, 2000=100) | (reference is none) | | | |
| >0 to 500 Euro | 0.0122 ** | 0.0044 | 0.0159 *** | 0.0028 |
| >500 to 1000 Euro | 0.0217 *** | 0.0037 | 0.0183 *** | 0.0025 |
| >1000 to 1500 Euro | 0.0216 *** | 0.0036 | 0.0200 *** | 0.0024 |
| >1500 to 2000 Euro | 0.0105 ** | 0.0038 | 0.0133 *** | 0.0022 |
| > 2000 Euro | -0.0006 | 0.0043 | 0.0041 | 0.0021 |
| Time since end of last contributory job | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0063 * | 0.0030 | -0.0001 | 0.0018 |
| 13 to 24 months | 0.0103 *** | 0.0029 | -0.0013 | 0.0016 |
| 25 to 36 months | 0.0063 * | 0.0029 | -0.0010 | |
| 37 to 48 months | 0.0014 | 0.0030 | -0.0056 ** | 0.0019 |
| > 48 months | -0.0005 | 0.0032 | -0.0089 *** | 0.0022 |
| Average duration of contributory jobs between 01/2000 and 12/2004 | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0063 ** | 0.0020 | 0.0003 | 0.0014 |
| 13 to 24 months | 0.0090 *** | 0.0027 | -0.0028 | 0.0018 |
| 25 to 36 months | 0.0125 * | 0.0049 | -0.0079 ** | 0.0028 |
| 37 to 60 months | 0.0179 * | 0.0074 | -0.0044 | 0.0037 |
| Number of contributory jobs in last five years | (reference is none) | | | |
| One | -0.0048 | 0.0036 | -0.0078 * | 0.0031 |
| Two | 0.0047 | 0.0045 | -0.0076 * | 0.0035 |
| Three or more | 0.0082 | 0.0054 | -0.0051 | 0.0038 |
| Minor employment, Jan. 31st 2005 | -0.0496 *** | 0.0039 | -0.0300 *** | 0.0027 |
| Partner's cum. Dur. Neither empl. Nor job-seeker nor unemployment benefit receipt (proxy for out-of-labour force), 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 24 months | -0.0051 * | 0.0021 | 0.0017 | 0.0021 |
| 25 to 30 months | -0.0049 | 0.0052 | 0.0136 ** | 0.0042 |
| 31 to 36 months | -0.0086 | 0.0054 | 0.0112 ** | 0.0041 |
| 37 to 42 months | -0.0083 | 0.0058 | 0.0162 *** | 0.0043 |
| 43 to 60 months | -0.0111 *** | 0.0031 | 0.0168 *** | 0.0025 |

Table 4 continued
Probit Estimates for East and West Germany

| | East G. | | West G. | |
|---|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Partner education | (no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0016 | 0.0039 | 0.0008 | 0.0019 |
| Secondary school, vocational education | 0.0025 | 0.0037 | 0.0010 | 0.0024 |
| GCSE or A-levels, vocational education or college | 0.0000 | 0.0034 | -0.0020 | 0.0027 |
| Partner ID is missing | -0.0019 | 0.0047 | -0.0162 *** | 0.0026 |
| Partner ID available but partner education is missing | -0.0066 | 0.0039 | -0.0094 *** | 0.0021 |
| Partner unemployed, Jan. 31st 2005 | -0.0050 * | 0.0025 | -0.0028 | 0.0017 |
| Regional variables (district level) | | | | |
| Local unempl. rate in January 2005 | -0.0016 *** | 0.0003 | 0.0018 *** | 0.0002 |
| %age change in local unempl. rate in January 2005 | -0.0012 *** | 0.0002 | -0.0008 *** | 0.0001 |
| Percentage of LTU in Jan. 2005 | 0.0002 | 0.0002 | -0.0007 *** | 0.0001 |
| Total %age change of percentage of LTU in Jan. 2005 | -0.0020 *** | 0.0001 | 0.0000 | 0.0001 |
| Vacancy-unemployment ratio in January 2005 | 0.5957 *** | 0.1019 | -0.0571 | 0.0168 |
| %age change vacancy-unemployment ratio in January 2005 | 0.0000 | 0.0000 | 0.0000 *** | 0.0000 |
| | (reference is Cities with below average LM conditions, high LTU) | | | |
| Urban areas with average LM conditions | 0.1051 *** | 0.0113 | 0.0229 *** | 0.0023 |
| Rural areas with below average LM conditions | 0.0509 *** | 0.0041 | 0.0260 *** | 0.0035 |
| Rural areas in East Germany with severe LM conditions | 0.0312 *** | 0.0028 | | |
| Rural areas in East Germany with very severe LM conditions | 0.0102 ** | 0.0031 | | |
| | 0.0002 *** | 0.0001 | 0.0021 *** | 0.0001 |
| Cities in West Germany with average LM conditions | | | 0.0169 *** | 0.0022 |
| Cities in West Germany with above-average LM conditions | | | 0.0441 *** | 0.0042 |
| Rural areas in West Germany with average LM conditions | | | 0.0518 *** | 0.0042 |
| Rural areas in W. G. with above average LM conditions and high seasonal dynamics | | | 0.1051 *** | 0.0076 |
| Rural areas in W. G., very favourite LM cond., seasonal dynamics and low LTU | | | 0.0717 *** | 0.0063 |
| Rural areas in W. G., very favourite LM cond. and low LTU | | | 0.0730 *** | 0.0059 |
| Proportion of childcare under 3 | 0.0002 *** | 0.0001 | 0.0000 *** | 0.0000 |
| AIC | 71439.10 | | 56961.48 | |
| BIC | 72960.36 | | 58568.38 | |
| Number of Observations | 153722 | | 205871 | |
| Log of the Likelihood | -35566.55 | | -28323.74 | |
| Pseudo R ² | 0.0714 | | 0.0856 | |

* p<0.05, ** p<0.01, *** p<0.001

Table 5
Probit Estimates for men and women in East Germany

| | Men | | Women | |
|--|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Reference transitional probability | 0.1148 | | 0.1140 | |
| Age in years | (reference is 15 to 20 years) | | | |
| 21-24 | -0.0037 | 0.0063 | 0.0018 | 0.0063 |
| 25-30 | -0.0970 *** | 0.0122 | -0.0953 *** | 0.0120 |
| 31-35 | -0.0923 *** | 0.0117 | -0.0914 *** | 0.0116 |
| 36-40 | -0.0911 *** | 0.0116 | -0.0900 *** | 0.0115 |
| 41-45 | -0.0883 *** | 0.0113 | -0.0900 *** | 0.0115 |
| 46-50 | -0.0882 *** | 0.0113 | -0.0882 *** | 0.0113 |
| 51-57 | -0.0908 *** | 0.0116 | -0.0909 *** | 0.0116 |
| 58-62 | -0.1010 *** | 0.0128 | -0.1007 *** | 0.0128 |
| Impairment of health or disabled | -0.0073 ** | 0.0024 | -0.0104 *** | 0.0030 |
| Nationality | (reference is German) | | | |
| German with migration background | -0.0239 *** | 0.0056 | -0.0339 *** | 0.0058 |
| Turkish | -0.0614 *** | 0.0080 | -0.0565 *** | 0.0084 |
| former Soviet Union | -0.0125 | 0.0068 | -0.0064 | 0.0065 |
| other foreigners | -0.0556 *** | 0.0069 | -0.0408 *** | 0.0065 |
| No partner | -0.0080 | 0.0058 | 0.0008 | 0.0056 |
| Partner, not married | -0.0024 | 0.0030 | 0.0013 | 0.0031 |
| Children | (reference is no child) | | | |
| One child | -0.0003 | 0.0027 | 0.0127 *** | 0.0027 |
| Two children | 0.0050 | 0.0034 | 0.0170 *** | 0.0033 |
| Three and more children | -0.0051 | 0.0045 | 0.0094 * | 0.0041 |
| Child under three years (yes) | -0.0014 | 0.0076 | -0.0384 *** | 0.0097 |
| Vocational Education | (reference is no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0072 * | 0.0035 | 0.0245 *** | 0.0048 |
| Secondary school, vocational education | 0.0103 ** | 0.0032 | 0.0393 *** | 0.0052 |
| GCSE, no vocational training | -0.0015 | 0.0045 | 0.0247 *** | 0.0055 |
| GCSE, vocational training | 0.0014 | 0.0030 | 0.0425 *** | 0.0052 |
| A-levels, no vocational training | -0.0059 | 0.0088 | -0.0011 | 0.0108 |
| A-levels, vocational training | 0.0071 | 0.0063 | 0.0418 *** | 0.0083 |
| A-levels, college | -0.0069 | 0.0059 | 0.0196 ** | 0.0074 |
| Cumulated duration of unempl., 02/2004 to 01/2005 | (reference is 0 to 6 months) | | | |
| 7 to 12 months | 0.0235 *** | 0.0041 | 0.0331 *** | 0.0050 |
| Cumulated duration of unempl., 02/2000 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | 0.0311 *** | 0.0068 | 0.0090 | 0.0056 |
| 7 to 18 months | 0.0251 *** | 0.0071 | 0.0088 | 0.0061 |
| 19 to 30 months | 0.0315 *** | 0.0079 | 0.0144 * | 0.0070 |
| 31 to 36 months | 0.0206 ** | 0.0080 | 0.0113 | 0.0076 |
| 37 to 48 months | 0.0153 | 0.0080 | 0.0039 | 0.0076 |
| Out-of-labour force during last year | -0.0125 *** | 0.0028 | -0.0074 * | 0.0031 |
| Cum. dur. neither empl. nor job-seeker, 01/2000 to 12/2004 (out-of-labour-force) | (reference is none) | | | |
| 1 to 6 months | -0.0123 *** | 0.0023 | -0.0133 *** | 0.0027 |
| 7 to 12 months | -0.0192 *** | 0.0038 | -0.0114 ** | 0.0043 |
| 13 to 18 months | -0.0121 ** | 0.0046 | -0.0148 ** | 0.0050 |
| 19 to 24 months | -0.0097 | 0.0053 | -0.0059 | 0.0052 |
| 25 to 30 months | -0.0207 *** | 0.0063 | -0.0068 | 0.0057 |
| 31 to 36 months | -0.0169 * | 0.0067 | 0.0031 | 0.0068 |
| 37 to 42 months | -0.0013 | 0.0074 | 0.0083 | 0.0077 |
| 43 to 60 months | -0.0153 * | 0.0076 | -0.0020 | 0.0074 |
| Cum. dur. of UI receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | -0.0080 * | 0.0035 | -0.0105 ** | 0.0041 |
| 7 to 9 months | -0.0011 | 0.0056 | -0.0205 *** | 0.0061 |
| 10 to 12 months | 0.0001 | 0.0076 | -0.0113 | 0.0082 |

Table 5 continued
Probit Estimates for men and women in East Germany

| | Men | | Women | |
|--|--|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Cum. dur. of UI receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 3 months | -0.0006 | 0.0038 | 0.0025 | 0.0036 |
| 4 to 12 months | 0.0020 | 0.0034 | -0.0042 | 0.0033 |
| 13 to 18 months | 0.0096 * | 0.0044 | 0.0121 * | 0.0051 |
| > 18 months | 0.0059 | 0.0056 | -0.0061 | 0.0063 |
| Cum. dur. of UA receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 3 months | 0.0070 | 0.0071 | -0.0046 | 0.0078 |
| 4 to 6 months | 0.0095 | 0.0070 | -0.0111 | 0.0073 |
| 7 to 9 months | -0.0046 | 0.0067 | -0.0207 ** | 0.0072 |
| 10 to 12 months | -0.0037 | 0.0068 | -0.0187 * | 0.0072 |
| Cum. dur. of UA receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 6 months | -0.0064 | 0.0039 | -0.0090 * | 0.0045 |
| 7 to 12 months | -0.0080 | 0.0043 | -0.0158 *** | 0.0048 |
| 13 to 30 months | -0.0134 ** | 0.0044 | -0.0198 *** | 0.0048 |
| 31 to 42 months | -0.0159 ** | 0.0053 | -0.0260 *** | 0.0057 |
| 43 to 48 months | -0.0242 *** | 0.0061 | -0.0277 *** | 0.0064 |
| UI ben. receipt, Dec. 31st 2004 | -0.0166 ** | 0.0061 | 0.0036 | 0.0072 |
| UA ben. receipt, Dec. 31st 2004 | 0.0098 | 0.0054 | 0.0447 *** | 0.0085 |
| Cumulated dur. of regular employment 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 6 months | 0.0052 | 0.0034 | 0.0067 | 0.0039 |
| 7 to 12 months | -0.0032 | 0.0037 | -0.0013 | 0.0044 |
| 13 to 18 months | -0.0108 ** | 0.0041 | -0.0109 * | 0.0047 |
| 19 to 24 months | -0.0160 ** | 0.0050 | -0.0207 *** | 0.0059 |
| 25 to 30 months | -0.0253 *** | 0.0057 | -0.0227 *** | 0.0067 |
| 31 to 42 months | -0.0378 *** | 0.0064 | -0.0309 *** | 0.0072 |
| 43 to 60 months | -0.0550 *** | 0.0087 | -0.0500 *** | 0.0097 |
| Interaction terms with age below 25 | | | | |
| Under 25, no voc. training | -0.0072 | 0.0055 | -0.0194 ** | 0.0060 |
| | (reference is under 25, no regular employment) | | | |
| Under 25, up to 12 months regular employment | -0.0100 | 0.0063 | -0.0261 *** | 0.0071 |
| Under 25, more than 12 months regular employment | -0.0019 | 0.0084 | -0.0340 *** | 0.0087 |
| ALMP participation in the last five years (yes) | | | | |
| Job creation schemes | 0.0145 *** | 0.0038 | 0.0189 *** | 0.0048 |
| Private employment subsidy | -0.0209 *** | 0.0036 | -0.0240 *** | 0.0042 |
| Further vocational training | 0.0026 | 0.0026 | 0.0057 | 0.0030 |
| Retraining | -0.0049 | 0.0044 | -0.0073 | 0.0050 |
| Short-term training (classroom) | -0.0032 | 0.0025 | -0.0050 | 0.0027 |
| Short-term training (practical) | -0.0056 | 0.0031 | -0.0050 | 0.0036 |
| Other short-term training | 0.0065 | 0.0066 | -0.0018 | 0.0074 |
| Startup subsidy | -0.0304 *** | 0.0057 | -0.0384 *** | 0.0072 |
| Private placement service (§37), some tasks of placement | 0.0017 | 0.0050 | -0.0202 *** | 0.0051 |
| Private placement service (§37), all tasks of placement | -0.0008 | 0.0041 | -0.0071 | 0.0044 |
| Other ALMP | 0.0318 *** | 0.0057 | 0.0220 *** | 0.0054 |
| Time since end of last ALMP | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0114 *** | 0.0034 | 0.0256 *** | 0.0043 |
| 13 to 24 months | 0.0094 ** | 0.0033 | 0.0098 ** | 0.0036 |
| > 24 months | -0.0002 | 0.0028 | 0.0059 | 0.0031 |
| Number of ALMPs in last five years | (reference is none) | | | |
| One | 0.0164 *** | 0.0037 | 0.0215 *** | 0.0042 |
| Two | 0.0294 *** | 0.0055 | 0.0390 *** | 0.0064 |
| Three | 0.0342 *** | 0.0068 | 0.0423 *** | 0.0078 |
| Four | 0.0350 *** | 0.0081 | 0.0482 *** | 0.0095 |
| Five and more | 0.0377 *** | 0.0094 | 0.0498 *** | 0.0109 |

Table 5 continued
Probit Estimates for men and women in East Germany

| | Men | | Women | |
|---|-----------------------------------|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Industry of last contributory job | (reference is manufacturing) | | | |
| Job with missing sector | -0.0077 | 0.0057 | -0.0197 ** | 0.0067 |
| Agriculture, forestry, fishing, mining, energy and water supply | 0.0042 | 0.0050 | -0.0203 ** | 0.0064 |
| Food and tobacco | 0.0065 | 0.0102 | -0.0230 ** | 0.0083 |
| Wood, paper, publishing, printing | 0.0131 | 0.0113 | -0.0086 | 0.0124 |
| Chemical industry, engineering, vehical construction | 0.0009 | 0.0092 | 0.0137 | 0.0149 |
| Construction | -0.0148 *** | 0.0044 | -0.0229 ** | 0.0072 |
| Wholesale trade and car sales | -0.0110 | 0.0064 | -0.0045 | 0.0086 |
| Retail trade and hotels/restaurants | -0.0172 ** | 0.0056 | -0.0278 *** | 0.0063 |
| Transport and communication | -0.0053 | 0.0057 | -0.0169 | 0.0087 |
| Services for companies | -0.0032 | 0.0045 | -0.0067 | 0.0060 |
| Public adminstration, defence, social security agencies | 0.0287 *** | 0.0061 | 0.0190 ** | 0.0066 |
| Education | 0.0009 | 0.0053 | -0.0035 | 0.0063 |
| Health care, veterinarian and social services | 0.0254 *** | 0.0068 | 0.0121 | 0.0064 |
| Other services | 0.0119 * | 0.0048 | 0.0009 | 0.0059 |
| Last professional status | (reference is blue-collar worker) | | | |
| Skilled worker / foreman | -0.0076 *** | 0.0022 | 0.0019 | 0.0031 |
| White-collar worker | -0.0091 ** | 0.0033 | -0.0009 | 0.0029 |
| Part-time | -0.0052 * | 0.0026 | 0.0048 | 0.0026 |
| No job yet | 0.0175 | 0.0096 | -0.0257 ** | 0.0098 |
| Firm size of last contributory job | (reference is 1 to 20 employees) | | | |
| 21 to 50 employees | 0.0026 | 0.0028 | 0.0083 * | 0.0034 |
| 51 to 100 employees | 0.0035 | 0.0030 | 0.0027 | 0.0033 |
| 101 to 400 employees | 0.0029 | 0.0026 | 0.0001 | 0.0028 |
| > 400 employees | -0.0062 * | 0.0031 | -0.0037 | 0.0032 |
| Missing | -0.0017 | 0.0043 | -0.0080 | 0.0051 |
| Last regular monthly real wage (deflated with CPI, 2000=100) | (reference is none) | | | |
| >0 to 500 Euro | 0.0187 ** | 0.0070 | 0.0088 | 0.0060 |
| >500 to 1000 Euro | 0.0330 *** | 0.0061 | 0.0145 ** | 0.0048 |
| >1000 to 1500 Euro | 0.0270 *** | 0.0058 | 0.0203 *** | 0.0050 |
| >1500 to 2000 Euro | 0.0179 ** | 0.0059 | 0.0073 | 0.0058 |
| > 2000 Euro | 0.0053 | 0.0063 | 0.0008 | 0.0070 |
| Time since end of last contributory job | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0074 | 0.0040 | 0.0033 | 0.0048 |
| 13 to 24 months | 0.0179 *** | 0.0041 | -0.0010 | |
| 25 to 36 months | 0.0158 *** | 0.0043 | -0.0078 | 0.0046 |
| 37 to 48 months | 0.0068 | 0.0042 | -0.0075 | 0.0047 |
| > 48 months | 0.0040 | 0.0045 | -0.0091 | 0.0051 |
| Average duration of contributory jobs between 01/2000 and 12/2004 | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0082 ** | 0.0028 | 0.0035 | 0.0032 |
| 13 to 24 months | 0.0072 | 0.0037 | 0.0113 ** | 0.0042 |
| 25 to 36 months | 0.0019 | 0.0064 | 0.0243 ** | 0.0081 |
| 37 to 60 months | 0.0226 * | 0.0103 | 0.0118 | 0.0113 |
| Number of contributory jobs in last five years | (reference is none) | | | |
| One | -0.0022 | 0.0052 | -0.0075 | 0.0054 |
| Two | 0.0040 | 0.0062 | 0.0074 | 0.0071 |
| Three or more | 0.0058 | 0.0072 | 0.0167 | 0.0092 |
| Minor employment, Jan. 31st 2005 | -0.0480 *** | 0.0054 | -0.0545 *** | 0.0060 |
| Partner's cum. Dur. Neither empl. Nor job-seeker nor unemployment benefit receipt (proxy for out-of-labour force), 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 24 months | -0.0039 | 0.0033 | -0.0060 * | 0.0029 |
| 25 to 30 months | -0.0091 | 0.0067 | 0.0038 | 0.0093 |
| 31 to 36 months | -0.0008 | 0.0075 | -0.0210 * | 0.0085 |
| 37 to 42 months | -0.0039 | 0.0080 | -0.0162 | 0.0092 |
| 43 to 60 months | -0.0125 ** | 0.0044 | -0.0141 ** | 0.0049 |

Table 5 continued
Probit Estimates for men and women in East Germany

| | Men | | Women | |
|--|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Partner education | (no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0019 | 0.0055 | 0.0008 | 0.0060 |
| Secondary school, vocational education | 0.0031 | 0.0055 | 0.0018 | 0.0053 |
| GCSE or A-levels, vocational education or college | -0.0019 | 0.0049 | 0.0008 | 0.0051 |
| Partner ID is missing | 0.0055 | 0.0068 | -0.0073 | 0.0072 |
| Partner ID available but partner education is missing | -0.0071 | 0.0056 | -0.0075 | 0.0058 |
| Partner unemployed, Jan. 31st 2005 | -0.0041 | 0.0037 | -0.0057 | 0.0036 |
| Regional variables (district level) | | | | |
| Local unempl. rate in January 2005 | -0.0019 *** | 0.0004 | -0.0012 * | 0.0005 |
| %age change in local unempl. rate in January 2005 | -0.0010 *** | 0.0002 | -0.0014 *** | 0.0002 |
| Percentage of LTU in Jan. 2005 | 0.0000 | 0.0003 | 0.0004 | 0.0003 |
| Total %age change of percentage of LTU in Jan. 2005 | -0.0017 *** | 0.0002 | -0.0025 *** | 0.0002 |
| Vacancy-unemployment ratio in January 2005 | 0.5950 *** | 0.1482 | 0.6455 *** | 0.1503 |
| %age change vacancy-unemployment ratio in January 2005 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| | (reference is Cities with below average LM conditions, high LTU) | | | |
| Urban areas with average LM conditions | 0.1251 *** | 0.0167 | 0.0911 *** | 0.0160 |
| Rural areas with below average LM conditions | 0.0560 *** | 0.0060 | 0.0477 *** | 0.0057 |
| Rural areas in East Germany with severe LM conditions | 0.0379 *** | 0.0043 | 0.0252 *** | 0.0037 |
| Rural areas in East Germany with very severe LM conditions | 0.0125 ** | 0.0046 | 0.0075 | 0.0045 |
| Proportion childcare under 3 | 0.0003 *** | 0.0001 | 0.0002 * | 0.0001 |
| Looking for part-time job | | | -0.0118 ** | 0.0037 |
| AIC | 37624.52 | | 33953.85 | |
| BIC | 39041.49 | | 35357.12 | |
| Number of Observations | 82634 | | 71088 | |
| Log of the Likelihood | -18660.26 | | -16823.93 | |
| Pseudo R ² | 0.0773 | | 0.0693 | |

* p<0.05, ** p<0.01, *** p<0.001

Table 6
Probit Estimates for men and women in West Germany

| | Men | | Women | |
|--|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Reference transitional probability | 0.0881 | | 0.0261 | |
| Age in years | (reference is 15 to 20 years) | | | |
| 21-24 | -0.0040 | 0.0041 | -0.0009 | 0.0017 |
| 25-30 | -0.0611 *** | 0.0077 | -0.0189 *** | 0.0038 |
| 31-35 | -0.0611 *** | 0.0077 | -0.0188 *** | 0.0038 |
| 36-40 | -0.0603 *** | 0.0076 | -0.0181 *** | 0.0037 |
| 41-45 | -0.0598 *** | 0.0076 | -0.0172 *** | 0.0036 |
| 46-50 | -0.0613 *** | 0.0077 | -0.0190 *** | 0.0038 |
| 51-57 | -0.0681 *** | 0.0083 | -0.0211 *** | 0.0042 |
| 58-62 | -0.0784 *** | 0.0094 | -0.0243 *** | 0.0047 |
| Impairment of health or disabled | -0.0113 *** | 0.0019 | -0.0037 *** | 0.0011 |
| Nationality | (reference is German) | | | |
| German with migration background | -0.0170 *** | 0.0028 | -0.0063 *** | 0.0016 |
| Turkish | -0.0425 *** | 0.0046 | -0.0126 *** | 0.0024 |
| former Soviet Union | -0.0196 *** | 0.0039 | -0.0111 *** | 0.0023 |
| Other foreigners | -0.0350 *** | 0.0038 | -0.0101 *** | 0.0019 |
| No partner | 0.0019 | 0.0041 | 0.0184 *** | 0.0034 |
| Partner, not married | -0.0011 | 0.0026 | 0.0120 *** | 0.0025 |
| Children | (reference is no child) | | | |
| One child | -0.0037 | 0.0021 | 0.0010 | 0.0009 |
| Two children | -0.0031 | 0.0024 | 0.0003 | 0.0011 |
| Three and more children | -0.0004 | 0.0028 | 0.0005 | 0.0016 |
| Child under three years (yes) | -0.0027 | 0.0049 | -0.0137 *** | 0.0031 |
| Vocational Education | (reference is no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0005 | 0.0017 | 0.0051 *** | 0.0013 |
| Secondary school, vocational education | -0.0006 | 0.0018 | 0.0066 *** | 0.0015 |
| GCSE, no vocational training | -0.0035 | 0.0032 | 0.0046 ** | 0.0018 |
| GCSE, vocational training | -0.0063 * | 0.0026 | 0.0058 *** | 0.0016 |
| A-levels, no vocational training | -0.0190 *** | 0.0043 | 0.0048 | 0.0027 |
| A-levels, vocational training | -0.0078 * | 0.0036 | 0.0045 * | 0.0021 |
| A-levels, college | -0.0218 *** | 0.0041 | 0.0022 | 0.0021 |
| Cumulated duration of unempl., 02/2004 to 01/2005 | (reference is 0 to 6 months) | | | |
| 7 to 12 months | 0.0163 *** | 0.0029 | 0.0092 *** | 0.0020 |
| Cumulated duration of unempl., 02/2000 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | 0.0277 *** | 0.0045 | 0.0065 *** | 0.0018 |
| 7 to 18 months | 0.0275 *** | 0.0049 | 0.0081 *** | 0.0022 |
| 19 to 30 months | 0.0280 *** | 0.0054 | 0.0109 *** | 0.0028 |
| 31 to 36 months | 0.0222 *** | 0.0057 | 0.0071 * | 0.0028 |
| 37 to 48 months | 0.0216 *** | 0.0060 | 0.0101 ** | 0.0032 |
| Out-of-labour force during last year | -0.0065 *** | 0.0018 | -0.0037 *** | 0.0011 |
| Cum. dur. neither empl. nor job-seeker, 01/2000 to 12/2004 (out-of-labour-force) | (reference is none) | | | |
| 1 to 6 months | -0.0076 *** | 0.0017 | -0.0019 | 0.0010 |
| 7 to 12 months | -0.0168 *** | 0.0028 | -0.0053 *** | 0.0016 |
| 13 to 18 months | -0.0132 *** | 0.0032 | -0.0035 * | 0.0016 |
| 19 to 24 months | -0.0102 ** | 0.0036 | -0.0021 | 0.0017 |
| 25 to 30 months | -0.0126 ** | 0.0041 | -0.0014 | 0.0018 |
| 31 to 36 months | -0.0023 | 0.0045 | 0.0025 | 0.0021 |
| 37 to 42 months | 0.0020 | 0.0049 | 0.0018 | 0.0022 |
| 43 to 60 months | -0.0027 | 0.0050 | 0.0019 | 0.0021 |
| Cum. dur. of UI receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 6 months | -0.0066 * | 0.0027 | -0.0010 | 0.0015 |
| 7 to 9 months | -0.0097 * | 0.0039 | -0.0035 | 0.0021 |
| 10 to 12 months | 0.0009 | 0.0054 | -0.0032 | 0.0025 |

Table 6 continued
Probit Estimates for men and women in West Germany

| | Men | | Women | |
|--|--|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Cum. dur. of UI receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 3 months | 0.0047 | 0.0029 | -0.0010 | 0.0015 |
| 4 to 12 months | -0.0002 | 0.0025 | -0.0019 | 0.0013 |
| 13 to 18 months | 0.0001 | 0.0032 | -0.0052 ** | 0.0018 |
| > 18 months | -0.0017 | 0.0044 | -0.0050 * | 0.0023 |
| Cum. dur. of UA receipt from 02/2004 to 01/2005 | (reference is none) | | | |
| 1 to 3 months | -0.0004 | 0.0047 | 0.0063 | 0.0033 |
| 4 to 6 months | -0.0065 | 0.0044 | 0.0061 | 0.0033 |
| 7 to 9 months | -0.0146 *** | 0.0044 | 0.0010 | 0.0028 |
| 10 to 12 months | -0.0112 * | 0.0045 | 0.0039 | 0.0032 |
| Cum. dur. of UA receipt from 02/2000 to 01/2004 | (reference is none) | | | |
| 1 to 6 months | -0.0046 | 0.0027 | -0.0006 | 0.0015 |
| 7 to 12 months | -0.0026 | 0.0031 | -0.0043 * | 0.0017 |
| 13 to 30 months | -0.0063 * | 0.0031 | -0.0072 *** | 0.0019 |
| 31 to 42 months | -0.0128 ** | 0.0040 | -0.0106 *** | 0.0024 |
| 43 to 48 months | -0.0224 *** | 0.0047 | -0.0128 *** | 0.0028 |
| UI ben. receipt, Dec. 31st 2004 | -0.0031 | 0.0047 | 0.0079 ** | 0.0030 |
| UA ben. receipt, Dec. 31st 2004 | 0.0119 ** | 0.0040 | 0.0045 | 0.0025 |
| Cumulated dur. of regular employment 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 6 months | 0.0125 ** | 0.0041 | 0.0023 | 0.0025 |
| 7 to 12 months | 0.0079 | 0.0042 | -0.0001 | 0.0024 |
| 13 to 18 months | 0.0097 * | 0.0046 | -0.0012 | 0.0025 |
| 19 to 24 months | 0.0046 | 0.0048 | -0.0047 | 0.0025 |
| 25 to 30 months | 0.0063 | 0.0056 | -0.0066 * | 0.0028 |
| 31 to 42 months | 0.0008 | 0.0057 | -0.0071 * | 0.0029 |
| 43 to 60 months | -0.0160 * | 0.0065 | -0.0119 *** | 0.0034 |
| Interaction terms with age below 25 | | | | |
| Under 25, no voc. training | -0.0004 | 0.0043 | -0.0029 | 0.0020 |
| | (reference is under 25, no regular employment) | | | |
| Under 25, up to 12 months regular employment | -0.0148 ** | 0.0046 | -0.0040 | 0.0022 |
| Under 25, more than 12 months regular employment | -0.0131 ** | 0.0049 | -0.0035 | 0.0023 |
| ALMP participation in the last five years (yes) | | | | |
| Job creation schemes | 0.0252 *** | 0.0043 | 0.0110 *** | 0.0032 |
| Private employment subsidy | -0.0121 *** | 0.0027 | -0.0037 * | 0.0017 |
| Further vocational training | 0.0015 | 0.0020 | 0.0035 * | 0.0014 |
| Retraining | -0.0021 | 0.0033 | 0.0018 | 0.0019 |
| Short-term training (classroom) | 0.0047 * | 0.0020 | 0.0014 | 0.0012 |
| Short-term training (practical) | 0.0035 | 0.0023 | 0.0032 * | 0.0016 |
| Other short-term training | 0.0077 | 0.0043 | 0.0032 | 0.0026 |
| Startup subsidy | -0.0287 *** | 0.0040 | -0.0117 *** | 0.0027 |
| Private placement service (§37), some tasks of placement | -0.0053 | 0.0027 | -0.0035 * | 0.0015 |
| Private placement service (§37), all tasks of placement | -0.0051 | 0.0030 | -0.0029 | 0.0016 |
| Other ALMP | 0.0273 *** | 0.0042 | 0.0117 *** | 0.0028 |
| Time since end of last ALMP | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0126 *** | 0.0027 | 0.0069 *** | 0.0019 |
| 13 to 24 months | 0.0094 *** | 0.0026 | 0.0046 ** | 0.0016 |
| > 24 months | 0.0070 ** | 0.0023 | 0.0022 | 0.0013 |
| Number of ALMPs in last five years | (reference is none) | | | |
| One | 0.0157 *** | 0.0028 | 0.0039 ** | 0.0015 |
| Two | 0.0217 *** | 0.0039 | 0.0075 ** | 0.0024 |
| Three | 0.0318 *** | 0.0053 | 0.0078 ** | 0.0029 |
| Four | 0.0355 *** | 0.0064 | 0.0118 ** | 0.0040 |
| Five and more | 0.0465 *** | 0.0077 | 0.0198 *** | 0.0056 |

Table 6 continued
Probit Estimates for men and women in West Germany

| | Men | | Women | |
|---|-----------------------------------|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Industry of last contributory job | (reference is manufacturing) | | | |
| Job with missing sector | -0.0021 | 0.0041 | 0.0012 | 0.0025 |
| Agriculture, forestry, fishing, mining, energy and water supply | 0.0365 *** | 0.0061 | -0.0034 | 0.0042 |
| Food and tobacco | 0.0037 | 0.0054 | -0.0028 | 0.0025 |
| Wood, paper, publishing, printing | -0.0018 | 0.0052 | 0.0000 | 0.0035 |
| Chemical industry, engineering, vehical construction | 0.0009 | 0.0043 | -0.0016 | 0.0031 |
| Construction | 0.0010 | 0.0030 | 0.0027 | 0.0038 |
| Wholesale trade and car sales | -0.0045 | 0.0035 | -0.0026 | 0.0023 |
| Retail trade and hotels/restaurants | -0.0073 * | 0.0033 | -0.0007 | 0.0018 |
| Transport and communication | -0.0082 * | 0.0034 | -0.0024 | 0.0027 |
| Services for companies | 0.0076 ** | 0.0029 | 0.0024 | 0.0018 |
| Public administration, defence, social security agencies | 0.0568 *** | 0.0067 | 0.0101 ** | 0.0033 |
| Education | 0.0327 *** | 0.0057 | 0.0112 *** | 0.0032 |
| Health care, veterinarian and social services | 0.0422 *** | 0.0057 | 0.0132 *** | 0.0029 |
| Other services | 0.0166 *** | 0.0039 | 0.0046 * | 0.0022 |
| Last professional status | (reference is blue-collar worker) | | | |
| Skilled worker / foreman | -0.0089 *** | 0.0019 | -0.0023 | 0.0016 |
| White-collar worker | -0.0167 *** | 0.0025 | -0.0047 *** | 0.0012 |
| Part-time | -0.0006 | 0.0024 | -0.0026 ** | 0.0010 |
| No job yet | 0.0071 | 0.0065 | 0.0003 | 0.0034 |
| Firm size of last contributory job | (reference is 1 to 20 employees) | | | |
| 21 to 50 employees | 0.0077 *** | 0.0021 | 0.0024 * | 0.0012 |
| 51 to 100 employees | 0.0097 *** | 0.0024 | 0.0048 ** | 0.0015 |
| 101 to 400 employees | 0.0056 ** | 0.0020 | 0.0031 ** | 0.0012 |
| > 400 employees | 0.0046 | 0.0025 | 0.0019 | 0.0013 |
| Missing | -0.0023 | 0.0033 | -0.0006 | 0.0020 |
| Last regular monthly real wage (deflated with CPI, 2000=100) | (reference is none) | | | |
| >0 to 500 Euro | 0.0225 *** | 0.0049 | 0.0073 ** | 0.0022 |
| >500 to 1000 Euro | 0.0275 *** | 0.0043 | 0.0074 *** | 0.0019 |
| >1000 to 1500 Euro | 0.0286 *** | 0.0041 | 0.0075 *** | 0.0019 |
| >1500 to 2000 Euro | 0.0174 *** | 0.0036 | 0.0074 *** | 0.0020 |
| > 2000 Euro | 0.0078 * | 0.0035 | 0.0021 | 0.0019 |
| Time since end of last contributory job | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0012 | 0.0029 | -0.0008 | 0.0016 |
| 13 to 24 months | -0.0011 | 0.0025 | -0.0003 | 0.0014 |
| 25 to 36 months | -0.0007 | 0.0027 | 0.0002 | 0.0015 |
| 37 to 48 months | -0.0049 | 0.0029 | -0.0034 * | 0.0017 |
| > 48 months | -0.0101 ** | 0.0035 | -0.0035 | 0.0019 |
| Average duration of contributory jobs between 01/2000 and 12/2004 | (reference is 1 to 6 months) | | | |
| 7 to 12 months | 0.0003 | 0.0020 | 0.0007 | 0.0013 |
| 13 to 24 months | -0.0066 * | 0.0027 | 0.0024 | 0.0018 |
| 25 to 36 months | -0.0098 * | 0.0044 | -0.0018 | 0.0026 |
| 37 to 60 months | -0.0047 | 0.0057 | 0.0002 | 0.0036 |
| Number of contributory jobs in last five years | (reference is none) | | | |
| One | -0.0120 * | 0.0048 | -0.0018 | 0.0029 |
| Two | -0.0111 * | 0.0053 | -0.0017 | 0.0032 |
| Three or more | -0.0111 * | 0.0057 | 0.0026 | 0.0038 |
| Minor employment, Jan. 31st 2005 | -0.0379 *** | 0.0041 | -0.0145 *** | 0.0026 |
| Partner's cum. Dur. Neither empl. Nor job-seeker nor unemployment benefit receipt (proxy for out-of-labour force), 01/2000 to 12/2004 | (reference is none) | | | |
| 1 to 24 months | -0.0001 | 0.0036 | 0.0020 | 0.0016 |
| 25 to 30 months | 0.0134 * | 0.0062 | 0.0065 | 0.0038 |
| 31 to 36 months | 0.0110 | 0.0061 | 0.0055 | 0.0038 |
| 37 to 42 months | 0.0189 ** | 0.0064 | 0.0047 | 0.0037 |
| 43 to 60 months | 0.0144 *** | 0.0037 | 0.0063 ** | 0.0023 |

Table 6 continued
Probit Estimates for men and women in West Germany

| | Men | | Women | |
|---|---|--------|-----------------|--------|
| | marginal effect | SE | marginal effect | SE |
| Partner education | (no secondary schooling degree/ no vocational training) | | | |
| Secondary school, no vocational education | 0.0022 | 0.0030 | 0.0005 | 0.0017 |
| Secondary school, vocational education | -0.0018 | 0.0042 | 0.0033 | 0.0020 |
| GCSE or A-levels, vocational education or college | -0.0019 | 0.0043 | -0.0010 | |
| Partner ID is missing | -0.0178 *** | 0.0037 | -0.0092 *** | 0.0027 |
| Partner ID available but partner education is missing | -0.0121 *** | 0.0031 | -0.0060 ** | 0.0023 |
| Partner unemployed, Jan. 31st 2005 | -0.0028 | 0.0027 | -0.0011 | 0.0016 |
| Regional variables (district level) | | | | |
| Local unempl. rate in January 2005 | 0.0017 *** | 0.0003 | 0.0013 *** | 0.0003 |
| %age change in local unempl. rate in January 2005 | -0.0010 *** | 0.0001 | -0.0004 *** | 0.0001 |
| Percentage of LTU in Jan. 2005 | -0.0009 *** | 0.0001 | -0.0004 *** | 0.0001 |
| Total %age change of percentage of LTU in Jan. 2005 | -0.0001 | 0.0001 | 0.0001 | 0.0001 |
| Vacancy-unemployment ratio in January 2005 | -0.0964 *** | 0.0269 | -0.0129 | 0.0140 |
| %age change vacancy-unemployment ratio in January 2005 | 0.0001 *** | 0.0000 | 0.0000 | 0.0000 |
| | (reference is Cities with below average LM conditions, high LTU) | | | |
| Cities in West Germany with average LM conditions | 0.0162 *** | 0.0031 | 0.0121 *** | 0.0024 |
| Cities in West Germany with above-average LM conditions | 0.0528 *** | 0.0062 | 0.0249 *** | 0.0046 |
| Urban areas with average LM conditions. | 0.0290 *** | 0.0036 | 0.0114 *** | 0.0023 |
| Rural areas in West Germany with average LM conditions | 0.0627 *** | 0.0062 | 0.0288 *** | 0.0047 |
| Rural areas with below average LM conditions | 0.0310 *** | 0.0052 | 0.0150 *** | 0.0035 |
| Rural areas in W. G. with above average LM conditions and high seasonal dynamics | 0.1452 *** | 0.0118 | 0.0431 *** | 0.0070 |
| Rural areas in W. G., very favourite LM cond., seasonal dynamics and low LTU | 0.1009 *** | 0.0101 | 0.0288 *** | 0.0055 |
| Rural areas in W. G., very favourite LM cond. and low LTU | 0.0950 *** | 0.0090 | 0.0350 *** | 0.0059 |
| Proportion of childcare under 3 | 0.0035 *** | 0.0002 | 0.0006 *** | 0.0001 |
| Looking for part-time job | | | -0.0054 *** | 0.0012 |
| AIC | 38729.61 | | 18537.01 | |
| BIC | 40247.28 | | 19998.99 | |
| Number of Observations | 124080 | | 81791 | |
| Log of the Likelihood | -19208.80 | | -9111.51 | |
| Pseudo R ² | 0.0833 | | 0.0876 | |

* p<0.05, ** p<0.01, *** p<0.001

Table 7
Results of Regression Decomposition (grouped variables)

Participation probability East = 7.03%
 Participation probability West = 2.64%
 Difference = 4.38% ¹

| Decomposition Base | East | | West | | Pooled | |
|------------------------------|--------------------|---------|---------------------|---------|--------------------|--------|
| | pp | % | pp | % | pp | % |
| Total explained | 2.76% ¹ | 63.07% | -2.56% ¹ | 59.87% | 2.62% ¹ | 58.51% |
| Explained Effect due to: | | | | | | |
| Age | -1.00 | -22.88% | -0.82 | -18.68% | -0.30 | 6.8% |
| Interaction terms with age | 0.26 | 5.82% | 0.24 | 5.42% | 0.01 | -0.1% |
| Nationality | 0.45 | 10.16% | 0.41 | 9.45% | -0.20 | 4.7% |
| Single | 0.00 | -0.02% | -0.11 | -2.49% | 0.02 | -0.4% |
| Children | 0.19 | 4.36% | 0.12 | 2.81% | -0.01 | 0.3% |
| Education | 0.65 | 14.87% | 0.46 | 10.54% | -0.10 | 2.2% |
| Health status | 0.01 | 0.19% | 0.01 | 0.17% | -0.02 | 0.5% |
| Former unemployment | 0.52 | 11.86% | 0.61 | 13.82% | -0.20 | 4.6% |
| Former out-of-labour-force | 0.21 | 4.68% | 0.20 | 4.56% | -0.11 | 2.5% |
| Former benefit receipt | -0.84 | -19.18% | -0.78 | -17.71% | 0.26 | -5.9% |
| Unemployment benefit receipt | | | | | | |
| 31st December 2004 | 0.71 | 16.20% | 0.51 | 11.64% | -0.08 | 1.9% |
| Former employment | 0.23 | 5.27% | 0.25 | 5.78% | -0.13 | 3.0% |
| Former ALMPs | 1.04 | 23.69% | 1.12 | 25.48% | -0.65 | 14.7% |
| Last job | 0.48 | 11.04% | 0.43 | 9.86% | -0.19 | 4.3% |
| Minor Employment | 0.17 | 3.84% | 0.17 | 3.82% | 0.06 | -1.3% |
| Partner information | 0.00 | 0.03% | 0.01 | 0.17% | 0.07 | -1.5% |
| Childcare facilities | 0.29 | 6.60% | 0.15 | 3.32% | -1.02 | 23.2% |
| Regional information | -0.71 | -16.25% | -0.50 | -11.37% | 0.16 | -3.5% |
| Looking for part-time job | 0.12 | 2.78% | 0.14 | 3.26% | -0.11 | 2.6% |

¹ These figures are in percentage points.

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