

**Fachbereich Sozialwissenschaft**

**TOWARDS COMPREHENSIVE POLICY-EVALUATION - REASSESSING THE EFFECTS  
OF LABOUR MARKET AND SOCIAL POLICIES FROM AN INTERDISCIPLINARY  
PERSPECTIVE**

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## 1. Synopsis

### *1.1 The state of labour market and social policy evaluation*

Labour market and social policies have for a long time been at the focus of different social science disciplines, which have analysed these policy fields from different perspectives. According to Scharpf (1997), there are two approaches to policy research that can be distinguished. The problem-oriented approach “is concerned with the causes of policy problems, with the potential policy solutions, and with their likely effects on the initial problems and on the wider policy environment (Scharpf, 1997:11).” In other words, it is mainly about identifying policy problems and analysing the effectiveness of possible solutions. In contrast, the actor-centred approach highlights that “many or most of these well-designed policy-proposals will never get a chance to become effective (Scharpf, 1997:11)”, because policies are implemented in a complex rather than a simple top-down process, in which a benevolent dictator implements the most efficient policy option. The importance of these two approaches varies between social science disciplines. Economists have mostly taken on a problem-oriented perspective, whereas the actor-centred approach is the dominant one in political science, with sociology being somewhere in between.

Twenty years after Scharpf’s seminal contribution, the association of the disciplines to these approaches has become even more clear-cut. This holds true especially for the field of policy-evaluation, which is currently strongly dominated by economists. For example, at the annual conferences of the European Economic Association (EEA, 2016) or the International Association for Applied Econometrics (IAAE, 2016), there has been a huge number of sessions dedicated exclusively to policy-evaluation in different fields of social policy (e.g. labour market, education, health) as well as the respective methodological foundations. In contrast, the bi-annual congress of the International Political Science Association has featured only one session exclusively dedicated to policy-evaluation, which is a remarkable observation given the high number of 633 panels and 2,271 participants (IPSA, 2016). Similar to the last IPSA world congress, the one of the International Sociological Association has also paid close attention to the consequences of inequality but less so to the evaluation of possible policy solutions (ISA, 2014). This corresponds to the publications of policy-evaluations which mostly appear in economic journals. For example, evaluations of unemployment benefits (e.g. van Ours and Vodopivec, 2008; Tatsiramos, 2009) or active labour market policies (ALMPs) have mostly appeared in economic journals (Card et al., 2010), whereas political scientists have focussed on explaining the development of the welfare state or its sub-fields (Castles, 2009; Vlandas 2013; Fervers et al., 2015). Consequently, scientific public policy consulting is also dominated by economic research institutes such as the Centre for European Economic Research (ZEW), German Institute for Economic Research (DIW) or the Halle Institute for Economic Research (IWH) whereas scholars and research institutes

from other social science disciplines play at best a minor role. In short, the economic perspective is the dominant one in the evaluation of public policies.

### *1.2 The emergence of a political science perspective in the problem-oriented approach*

Due to the domination of the economic perspective, policy-evaluation research has strongly focussed on the economic consequences of public policies. It has to be admitted that the importance of the economic dimension is beyond any doubt. Nevertheless, this exclusive focus seems to be too narrow in the evaluation of labour market and social policies, which affect societies and the lives of citizens along several impact dimensions. These obviously include economic effects such as growth or employment performance, but also aspects related to inequality, psycho-social factors like social inclusion or mental health, as well as political attitudes. Focussing on a narrow set of economic outcomes therefore means to ignore positive or negative effects that they exert along other dimensions. Correspondingly, policy conclusions drawn from such mono-dimensional evaluations would be questionable from a theoretical point of view even if we are willing to trust their empirical results, because they may ignore the impact these policies have on further outcomes. To substantiate this argument, it should be pointed out here that the pre-selection of a certain set of outcomes is an inherently normative one, since there rarely is an objective reason that unambiguously tells us which policy goals are more important than other ones. Especially if policies have positive effects on some but negative effects on other outcomes, the aforementioned policy-conclusions would strongly depend on the normative pre-selection of outcomes that has been initially made.

Consequently, a growing number of political scientists has recently argued in favour of a political science perspective in public policy analysis (Busemeyer et al., 2013; Castles, 2013). Even though this strand of research is still in its infancy and has not yet engaged regularly in policy-evaluation, there are at least five bodies of literature which take on a more problem-oriented perspective and point to new structural social problems that post-industrial societies face. The starting point has been made by the new social risks literature, which highlights the economic and social transformations that have taken place during the last decades as well as the resulting social problems (Bonoli, 2007). The transformations are manifold and include tertiarization, demographic change, the erosion of the traditional family, and an increase of interrupted employment biographies including periods of long-term unemployment. The latter is particularly problematic as it entails a new social risk that is not covered by the traditional social security systems. Especially in Continental Europe, the social security systems are based on the male bread-winner model, where the husband earns a family wage in a secure full-time employment relation, while temporary periods of sickness or unemployment are covered by social security schemes. Even though this description is to a certain extent idealtypic, the aforementioned transformation leads to a stronger deviation from this idealtypic setting. As a result,

there is an increasing number of both long-term unemployed workers who drop out of the earnings-related unemployment scheme, as well as a group of workers who experience repeated periods of unemployment and precarious forms of employment.

The latter has been picked up by a second body of literature known as the insider-outsider literature (Emmenegger et al., 2012; Palier and Thelen, 2010; Rueda, 2007; Schwander, 2012). This literature has analysed the increasing divide of the workforce into well-protected insiders and labour market outsiders from two different perspectives. The first one adopts a political economy perspective and analyses the role of labour market institutions for the divide in terms of the share of atypical employment. The most common finding is that strict employment protection legislation (EPL) increases the share of atypical employment, as employers react to a lack of flexibility in their core workforce with increasing flexibility at the margin (Polavieja, 2006; Eichhorst and Marx, 2014; Rueda, 2014). The second one zooms into a micro perspective and analyses the consequences of atypical employment on affected workers. Among others, this literature reveals that temporary workers suffer from a variety of disadvantages, including lower wages (Autor and Houseman, 2010) and higher risk of future unemployment (Giesecke, 2009), lower chances of being promoted and fewer access to training (Boeri, 2011). Moreover, political science points to a politicization of the insider-outsider divide in terms of remarkable differences in political attitudes (Häusermann and Schwander, 2012; Marx and Picot, 2013; Marx, 2014). In sum, the insider-outsider literature shows that atypical employment is not a purely formal issue but has far-reaching consequences. Moreover, differences in the share of atypical employment between countries are not random but vary systematically with labour market institutions.

The third body of literature is more concerned with the consequences of increasing long-term unemployment. In the economic literature but partly also in social policy analysis, long-term unemployment is mostly discussed in terms of its fiscal consequences. In fact, it leads to a loss of tax revenue as well as an increasing number of benefit recipients hereby creating an even tighter situation for the social security schemes. Even though these fiscal consequences need to be considered, scholars of social policy have recently highlighted the psycho-social consequences of long-term unemployment. The idea that long-term unemployment has far-reaching psycho-social consequences as such is not new. More than 80 years ago, Jahoda (1933) has conducted sociographic research which has revealed the detrimental effect unemployment exerts on life satisfaction. Recently, there has been a renewed interest in this topic with quantitative studies which confirm a strongly negative effect of unemployment on life satisfaction (Clark and Oswald, 1994; Young, 2012; Oesch and Lipps, 2013). Another line of reasoning within this literature highlights further psycho-social consequences such as the depreciation of skills in times of unemployment (Edin and Gustavsson, 2008). This depreciation

occurs as non-employment as such leads to a loss of skills, but also because unemployed workers engage less in further professional qualification hereby putting them in a disadvantaged position in the race between education and technology. This process may contribute to a long-lasting marginalization of long-term unemployed workers, as it worsens the chances for and quality of future employment (Dieckhoff, 2011).

The two remaining bodies of literature move the focus to the political consequences of inequality and welfare state retrenchment. The former is motivated by the general notion that inequality is not only problematic if it entails material deprivation for those at the bottom of the income distribution, but structures social relationships within the society. As a result, a variety of different political consequences of inequality have been suggested, including decreasing satisfaction with democracy (Schäfer, 2012; Andersen, 2012), political participation (Solt, 2008; 2010; Horn, 2011; Lancee and van de Werfhorst, 2012), social trust (Alesina and La Ferrara, 2002; Elgar, 2010; Steijn and Lancee, 2011) as well as an increase of political polarization (Duca and Saving, 2015). Methodologically, this body of literature mostly relies on cross-country multi-level modelling, with political attitudes measured at the individual level and inequality measured at the macro level. In a nutshell, empirical results confirm that there is a systematic relationship between inequality and political attitudes, which is broadly in line with the theoretical expectations.

The final body of literature moves closer to the actual evaluation of public policies, and analyses the political effects of welfare state retrenchment. At the theoretical level, this literature is based on two different lines of reasoning. The first one argues at a more general level and points out that public policies may shape political attitudes as they entail feedback effects (Mettler and Soss, 2004; Soss and Schramm, 2007; Campbell, 2012). The second one is more specific to this context and deals with the electoral effects of welfare state retrenchment. The starting point here was the seminal contribution of Pierson (1996), who argues that the welfare state retrenchment agenda will face heavy resistance among the electorate. Most obviously, this resistance is due to the high share of welfare benefit recipients within the electorate, who have a strong economic incentive to put up resistance against benefit cutbacks. In this regard, “the welfare state has created its own battalions (Armingeon and Giger, 2008:558).” Another line of argumentation borrows from cognitive psychology and points out that the perception of most people is characterized by a negativity bias, i.e. losses compared to a certain status quo are perceived as stronger than gains (Vaish et al., 2008), which leads to status quo bias. Correspondingly, a subsequent literature (for a review see Starke, 2006) argues that welfare state retrenchment is likely to lead to electoral punishment, i.e. a withdrawal of support for the parties in power who implement the cutbacks. The corresponding empirical research is once again mostly based on cross-country multilevel modelling which combines cross-national micro data with macro level

welfare state indicators. In short, the results are more mixed and reveal that the political effects of welfare state retrenchment should be considered, but the actual effects are not as clear cut as expected (Armingeon and Giger, 2008; Giger, 2012; Giger and Nelson, 2013; Wenzelburger, 2014).

To sum up, scholars of political science and social policy analysis have highlighted three new groups of social problems. These include structural inequalities in the labour market, the psycho-social effects of long-term unemployment, and the political effects of inequality and welfare state retrenchment.

### *1.3 Towards comprehensive policy-evaluation*

Up to now, most of the aforementioned research rather focusses on pointing to certain social problems rather than assessing the effects of public policies. Nevertheless, it makes an important contribution to this field as it points to impact dimensions that should be considered in future evaluation research. As pointed out in section 1.1, mono-dimensional evaluations which ignore these further impact dimensions can rarely serve as basis for policy-conclusions, as they ignore the impact that these policies exert on other outcomes. For example, it is possible that activation policies reach the goal of pushing people into the labour market, but at the same time worsen post-unemployment job quality as they force people to accept any available job without paying much attention to its type and quality. On the one hand, this may speed up labour market integration. On the other hand, it may have detrimental effects on job satisfaction and deepen the gap between labour market insiders and outsiders who experience multiple periods of unemployment and precarious low-paid employment. In this case, the respective activation policy cannot be judged exclusively based on its effect on employment as such, but its positive and negative effects have to be traded off against each other. Therefore, it is the central aim of this PhD to put forward a more multi-dimensional and interdisciplinary approach to the evaluation of labour market and social policies. To do so, I combine insights from the aforementioned bodies of literature with those of previous evaluation research, and analyse the impact of different kinds of labour market and social policies in a multi-dimensional setting. I hereby focus on outcomes and impact dimensions that have been largely neglected in previous evaluation research. In addition to economic outcomes, these will include aspects related to new structural inequalities, political attitudes as well as psycho-social effects. Table 1.1 provides a summary of these impact dimensions as well as possible outcomes.

<b>Outcome dimension</b>	<b>Selected outcomes</b>
Economic effects	employment job quality welfare benefit receipt
Inequality and income distribution	overall inequality inequality between subgroups
Subjective indicators	life satisfaction social inclusion and participation subjective and mental health cognitive and non-cognitive skills
Political attitudes	satisfaction with democracy political participation political polarization

**Table 1.1.** Theoretical framework for the multidimensional analysis of labour market and social policies. Source: my own illustration.

As most of the aforementioned social problems relate to structural changes in the labour market, I focus on the evaluation of three kinds of labour market policies: unemployment insurance (UI), active labour market policies and employment protection legislation. In the subsequent chapter, I describe some of the recent developments that have taken place within these policy-fields. After that, I point out possible consequences of these developments along the mentioned outcome dimensions. This leads me to a set of research questions that I will consider in the five papers which constitute the core of this PhD thesis.

#### *1.4 Institutional background: recent developments in labour market policy*

Even though the reasons for the emergence of a stronger problem-oriented perspective are manifold, one major reason could be recent policy changes which react to but also affect new social problems. In almost all post-industrial societies, a paradigm change has taken place that is frequently referred to as activation turn in welfare state policy-making (Kenworthy, 2010). At the conceptual level, this entails a general redefinition of the goals of social policy-making. In short, the traditional goals of avoiding poverty and reducing income inequality, as well as providing income security in times of unemployment, sickness or during retirement, have been complemented by a new policy-goal: employment. This turn takes into account that demographic change as well as ongoing mass unemployment have contributed to an increasing number of benefit recipients compared to a decreasing work force which threatens the fiscal basis of the welfare state. Since the scope to manipulate the demographic situation is very limited in the short and medium run, a stronger focus on pushing people into the labour market appears to be the only option left given the outlined socio-economic transformations.

Correspondingly, major policy-shifts have taken place in different areas of labour market policy-making. First, unemployment benefit systems have been changed in order to increase the incentives to pick up employment. To this end, benefit levels have been reduced and unemployment benefit duration has been shortened. Moreover, benefit eligibility has been tightened and made conditional on behavioural requirements (Dingeldey, 2007; Eichhorst et al., 2009; Kenworthy, 2010). Second, labour market regulations have been relaxed in order to reduce the barriers for employers to hire unemployed workers. A second glance reveals that labour market deregulation has in many countries mostly taken place at the margins of the labour market, i.e. in terms of fewer restrictions concerning the use of atypical forms of employment. Finally, activation and active labour market policy (ALMP) programmes have gained increasing attention in almost all advanced economies. Unlike the first two policy changes, a closer look at the changes in this area reveals a very nuanced picture. As the social policy literature (Barbier and Ludwig-Mayerhofer, 2004; Taylor-Gooby, 2004; Dingeldey, 2007) has pointed out, the different activation policies and ALMP programmes pursue very different goals. While e.g. long training programmes focus on supporting unemployed workers by improving their skills and employability, activation programmes such as sanctions or counselling and monitoring programmes follow a more “repressive (Vlandas, 2013: 5)” path and try to push people into the labour market by all means. If we look at the different kinds of policies at a continuum with supportive programmes at the one and repressive programmes at the other end, public employment programmes are somewhere in between, as they offer opportunities to unemployed workers but may also entail certain behavioural requirements and challenges for participants. In this regard, it is crucial to consider the growing importance of activation and ALMP programmes in general as well as to take the heterogeneity of this policy field into account.

### *1.5. Research questions*

In sum, we observe both the emergence of new social problems as well as far-reaching policy changes. Up to now, previous evaluation research has mostly judged these policies in terms of their economic effects, especially with respect to their effect on reemployment chances of previously unemployed workers. However, the policy-changes may also have consequences along the impact dimensions outlined in the social policy and political science literature. I will now discuss the possible impacts of the three fields of labour market policy along these outcome dimensions in turn. This will lead me to a set of research questions which I will address in the five papers.

To begin with, I will analyse how labour market policy affects the insider-outside divide. As outlined in section 1.2, previous research in this field has mostly focussed on employment protection legislation (EPL). The theoretical argument centres on the notion that strict EPL for regular employment will increase the share of atypical employment as employers use atypical forms of employment as means

of securing flexibility in their labour demand. However, little attention has been paid to the question of how EPL affects the degree of the disadvantage that atypical workers face. The theoretical expectations here are quite straightforward. Even though the causal mechanisms that drive the disadvantage of atypical compared to regular workers are not entirely clear, they somehow have to be related to the different regulations which cover the two groups. For example, the higher risk of future unemployment may result from the fact that dismissal costs are lower for temporary workers, which creates incentives for employers to lay off temporary workers first if their labour demand goes down. Therefore, the difference in the risk of future unemployment between regular and temporary employees is likely to be higher if the former are covered by strict EPL. Similarly, strict EPL may undermine the idea that temporary employment could function as a stepping stone into regular employment. In case of strict regulations, employers may be more reluctant to take over temporary workers as regular employees, as the increase of the restrictions that they face is more severe than in case of lax EPL. Therefore, strict EPL could also increase the disadvantage in terms of lower relative chances to find regular employment. In sum, this argument raises the question of whether EPL for regular employees causes stronger economic disadvantages for atypical workers.

While the argument related to EPL is quite straightforward, the one concerning unemployment benefits is a more subtle and indirect one: Unemployment benefits could affect the structural inequality in the labour market via their impact on post-unemployment job match quality. As outlined in section 1.4, previous unemployment benefit reforms have mostly focussed on pushing unemployed workers into the labour market. In fact, the economic debate about unemployment benefits has for a long time centred on the argument that unemployment benefits create disincentives in terms of lower search intensity and more selective job search behaviour. The outlined policy changes could be regarded as a reaction to the common finding that generous unemployment benefits indeed cause prolonged periods of unemployment (for a sophisticated application and a comprehensive review of the literature in this field see Tatsiramos, 2009, and for the theoretical foundations Katz and Meyer, 1990). However, another line of reasoning opposes this simple policy-conclusion and highlights that unemployment benefits may also affect post-unemployment job match quality. The key point of the argument is that the same causal mechanism that contributes to faster reemployment – less selective search behaviour – may also have a detrimental impact on the quality of labour market integration. The idea behind this argument is that little or no financial support during times of unemployment does not leave the unemployed with any other choice but to accept any available job offer. As a result, the new jobs may be of worse quality than those which could have been found with more time for job search. Looking at this phenomenon from a more psychological point of view, the social policy literature has argued that unemployment benefits may also decrease the pressure on unemployed workers as they reduce stigma effects, since societies that are willing to spend many resources on

income support for unemployed workers are less likely to accuse the unemployed of moral hazard (Wulfgramm, 2014). Linking this argument to the insider-outsider debate, it can be argued that generous unemployment benefits may mitigate the insider-outsider divide, as they do not force the unemployed into low-quality jobs. To put it the other way around, unemployment benefits of low level and short duration may deepen the gap between labour market insiders and outsiders, as they push the disadvantaged group of unemployed workers into jobs of low quality. However, whether this outlined mechanism is actually there is subject to empirical research. Therefore, the next research question derived from my argument is, whether unemployment benefits affect post-unemployment job match quality.

Finally, activation and ALMP programmes may affect the insider-outside divide in a similar way. If we again think about these policies at a continuum with repressive activation at the one and human capital accumulation oriented programmes at the other end, the expected impacts on post-unemployment job quality are very different. On the one hand, repressive activation programmes may worsen job quality in a similar way low unemployment benefits do: As they increase the pressure on unemployed workers and possibly threaten them with benefit withdrawal in case of non-compliance, they could force the unemployed into jobs of lower quality than those they could have found with more time and fewer pressure but more support. This raises the question whether quicker, activation-induced labour market integration is paid for with worse job quality. On the other hand, training programmes and public employment services could improve job quality. Most obviously, training programmes that aim at human capital accumulation may contribute to higher job quality as they enable the unemployed to engage in higher-skilled jobs. In contrast, public employment services tackle information deficits in the labour market. Despite more and more sources of information, modern labour markets are still characterized by enormous information deficits, i.e. most unemployed workers are not informed about all available job offers. At this point, public employment services could step in and reduce these information deficits by keeping the unemployed informed about available job offers. As a result, the unemployed have more complete information about available job offers and can pick the most suitable one. Taken together, this raises the question of whether training programmes and public employment services can contribute to better post-unemployment job match quality.

While the previous argument has focussed on the role of ALMPs for speed and quality of labour market integration, the social policy literature has recently paid increasing attention to the role of ALMPs for the psycho-social situation of unemployed workers. This topic is of increasing importance due to both ongoing mass long-term unemployment as well as an increase of ALMP programmes which aim at mitigating the negative consequences of the former. The starting point of this literature is the observation that unemployment has a detrimental psycho-social impact on affected workers in terms

of lower life satisfaction and social inclusion as well as decreasing cognitive and non-cognitive skills (see section 1.2). This negative effect is stronger than the drop in household income would predict, which suggests that it results from the loss of the non-pecuniary functions of work. Consequently, the idea is that ALMP programmes such as job creation schemes can step in and substitute these non-pecuniary functions, hereby mitigating the negative psycho-social consequences of unemployment. As empirical evidence in this field is limited, I contribute to this discussion by addressing the question of whether public employment schemes positively affect the psycho-social situation of long-term unemployed workers.

Finally, the reduction of unemployment benefits together with the expectation of strong resistance within the electorate has led to a renewed interest in its political effects. Up to now, the welfare state literature has mostly focussed on electoral punishment, i.e. the consequences for the parties in power. However, the political consequences of welfare state retrenchment could be much more far-reaching. There are at least three political outcomes that should be considered. First, overall satisfaction with the democratic system could be affected. Following the argument of Easton (1975), specific support for democracy will go down if the demands of citizens are not met by political actors. This argument is empirically substantiated by several studies which reveal that belonging to the winners/losers of the last election will increase/decrease satisfaction with democracy (Anderson and Guillory, 1997; Blais and Gélinau, 2007; Curini et al., 2011). As welfare state retrenchment is opposed by a large share of the electorate, the former may lead to decreasing satisfaction with democracy. Second and related to that, voters are likely to shift their support from established to non-established parties which oppose the current political system in a more general way. This argument is derived from the finding that voting for non-established parties has become a common signal of political protest (e.g. Pop-Eleches, 2010). Whether protest-voting appears in the form of left-wing, right-wing or other forms of protest-voting (e.g. support for the Pirate Party) is difficult to predict and likely to be determined in the specific context. Third, welfare state retrenchment may affect political participation. The theoretical discussion is inspired by the literature on the political consequences of inequality (see Schäfer, 2012), as welfare state retrenchment and inequality are closely related. In contrast to satisfaction with democracy and protest-voting, there are different theoretical approaches which make conflicting predictions about the impact of inequality on political participation. On the one hand, conflict theory (Brady, 2004) predicts that political participation will increase as a consequence of higher polarization. On the other hand, relative power theory (Goodin and Dryzek, 1980) and resource theory (Verba et al., 1978) claim that political participation will go down among all groups or at least among those at the bottom of the income distribution, respectively, as they have fewer resources for political participation. Even though the predictions about the relation go into different direction, it is possible that all outlined mechanisms actually exist. The decisive question is then which one dominates on the aggregate.

To sum up, the outlined argument leads to five overarching research questions:

- (1) How does welfare state retrenchment affect (a) satisfaction with democracy, (b) protest-voting, and (c) political participation?
- (2) Do unemployment benefits, training programmes and public employment services contribute to better post-unemployment job match quality?
- (3) Is quicker, activation-induced labour market integration paid for with worse job quality?
- (4) Does strict EPL increase the relative disadvantage of atypical workers in terms of higher risk of unemployment and fewer chances for regular employment?
- (5) Do public employment schemes positively affect the psycho-social situation of long-term unemployed workers?

Each of these research questions will be subject to one of the papers. Before I make some general comments about my methodology and data and summarize the separate papers, I will briefly summarize previous labour market policy evaluation research. Doing so, I will consider earlier work which has focussed on a different set of outcomes, as well as those studies which consider impact dimensions beyond the economic one.

### *1.6 Previous labour market evaluation research*

#### *Labour market regulation*

Previous research on labour market regulation has considered outcomes from different impact dimensions, though to very different degrees. Since employment protection legislation (EPL) is primarily aimed at affecting the hiring and firing decisions of firms, a high number of contributions has studied its economic effects, including employment (Bradley and Stephens, 2007; Heyes and Lewis, 2014; Barbieri and Cutuli, 2016), economic growth or productivity (Nickell and Layard, 1999; Besley and Burgess, 2004; Barone and Cingano, 2011). As outlined in section 1.2, two further bodies of literature have assessed the impact of different employment regulations at the individual level (Booth et al., 2002; Autor and Houseman, 2010; Giesecke, 2009; Häusermann and Schwander, 2012; Marx and Picot, 2013; Marx, 2014) as well as its role for the share of atypical employment (Polavieja, 2006; Eichhorst and Marx, 2014; Rueda, 2014). However, to date no empirical study has assessed how EPL affects the degree of the structural inequalities between different groups of workers, which therefore constitutes a major research gap.

#### *Unemployment benefits*

The literature on unemployment benefits has mostly focussed on their economic and distributional effects. The economic literature has centred on the argument that unemployment benefits may have

disincentive effects hereby leading to more selective search behaviour, longer periods of unemployment and higher aggregate unemployment rates (Katz and Meyer, 1990). Correspondingly, many empirical contributions investigate how unemployment benefits affect employment, with a special focus on the duration of unemployment. These studies indeed confirm that unemployment benefits entail disincentive effects, which is documented by a peak of unemployment exit around benefit exhaustion as well as by prolonged unemployment spells among groups with access to more generous benefits (van Ours and Vodopivec, 2008). While this suggests that generous unemployment benefits will lead to higher aggregate unemployment, macro studies fail to confirm this relationship. While some studies do report a negative impact of unemployment benefit generosity on employment performance (Nickell et al., 2005), a considerable number of other studies contrast this finding and reveal insignificant effects. Moreover, the results appear to be highly sensitive to small changes in the country sample or estimation technique (Vergeer and Kleinknecht, 2012; Avdagic and Salardi, 2013). Bradley and Stephens (2007) even report a positive impact of short-term benefits on aggregate employment rates. This leaves us with the puzzle of a well-confirmed disincentive effect of unemployment benefits but no consistent negative relation with aggregate employment outcomes. One possible explanation is that unemployment benefits lead to prolonged unemployment duration, which is compensated for by a positive impact on post-unemployment job quality in terms of higher reemployment stability. Therefore, a comprehensive comparative analysis is needed to investigate whether aggregate unemployment benefit generosity contributes to more stable reemployment at the individual level.

The impact of unemployment benefits on income inequality has been another important and long-lasting topic in the discussion about unemployment benefits, because they by definition constitute a means of income distribution. Consistent with theoretical expectations, the mostly comparative literature confirms that generous unemployment benefits go along with an increase of redistribution and a decrease of income inequality (Korpi and Palme, 1998; Moene and Wallerstein, 2003; Koeninger et al., 2007; Joumard et al., 2012; Huber and Stephens, 2014). Research on the psycho-social impacts of unemployment benefits is still in its infancy. Wulfgramm (2014) has made a start by showing that unemployment benefits mitigate the negative effects of unemployment on life satisfaction, even if disposable household income is controlled for. Research on the political consequences of unemployment benefit (reform) is even scarcer. Previous contributions have focussed on electoral punishments but mostly neglected further political consequences. This accounts to both comparative research which addresses the effects of welfare state retrenchment in general (e.g. Armingeon and Giger, 2008), as well as the few number of case studies which explicitly assess the consequences of unemployment benefit reforms (Schwander and Manow, 2017).

### Activation and ALMP

Probably the largest number of empirical studies in the labour market policy evaluation literature has assessed the effects of activation and active labour market policies (ALMPs). Mostly focussing on economic outcomes such as exit from unemployment or benefit receipt, the microeconomic literature has revealed fine-grained conclusions on different types of ALMP programmes. The large number of studies even enabled researchers to conduct meta-analyses to allow for more general conclusions on the effectiveness of certain types of programmes (Card et al., 2010). In short, the studies tend to confirm a positive effect of training programmes and public employment services on the employment probability of participants, while the effect of public employment schemes is mostly negative. Due to my theoretical context, the results on activation programmes are of special interest. Most studies focus on the quantity of labour market integration and report positive effects. This holds true especially for sanctions where almost all studies reveal an acceleration of labour market reintegration (e.g. Lalive et al., 2005; van der Klaauw and van Ours, 2013). When it comes to public workfare employment and counselling and monitoring schemes, the results are a little bit more mixed, with most studies finding either insignificant (van den Berg and van der Klaauw, 2006; Huber et al., 2011) or positive effects (Cockx and Dejemeppe, 2012; Bennmarker et al., 2013). Despite the high number of previous evaluations, evidence on the effect of activation on job quality is quite rare. Arni et al. (2013) and van den Berg and Vikström (2014) made a start and assessed the impact of sanctions on different indicators of job quality. Their results reveal a negative impact on different indicators of job quality. In contrast, Bennmarker et al. (2013) did not confirm a negative impact of a public workfare programme on job quality as measured by wages and post-unemployment employment stability. As previous research has revealed conflicting results, it remains an open question which kinds of activation policies have negative effects on job quality.

Within the economic debate, there are two further groups of studies. The first one builds on the results of micro studies and extends their focus to the fiscal efficiency of ALMP programmes. The crucial question here is whether the gains in terms of reduced spending on unemployment benefits offset the costs of the programme (Brown and Koettl, 2015). The second one takes on a macro perspective and analyses its relationship with aggregate employment performance (Bradley and Stephens, 2007). While most studies tend to confirm a positive effect of ALMPs, the causal mechanisms underlying this relationship remain a black box. Once again, a positive effect on reemployment stability could be one of the possible drivers of this relationship.

Another group of studies has picked up arguments from the social psychology literature (see section 1.5) and analysed the effect of ALMP programmes on psycho-social indicators. These studies focus on workfare programmes and explore the impact on overall subjective well-being/life satisfaction

(Strandh, 2001; Frese, 2008; Wulfgramm, 2011a; 2014; Crost, 2016) and indicators of social inclusion (Wulfgramm, 2011b; Gundert and Hohendanner, 2015; Tisch and Wolff, 2015). Contributions which consider other aspects such as mental health (Sage, 2013) remain rare. Overall, the results are quite mixed and point to no or weakly positive effects. However, even though the number of empirical contributions is growing, empirical evidence on the psycho-social consequences of ALMPs remains “limited and scattered (Breidahl and Clement, 2010: 850).” Moreover, one particular shortcoming in previous evaluation lies in the area of case selection. Most of the cited research has concentrated on workfare programmes, especially the so-called One-Euro-Jobs from Germany. Despite the importance of assessing its psycho-social effects, they are quite ambiguous from a theoretical point of view. Unlike public employment schemes, these workfare programmes are not primarily aimed at improving the psycho-social situation of unemployed workers, but to test whether they comply with their behavioural restrictions. Consequently, a strong positive effect on social inclusion and life satisfaction cannot be expected. Moreover, the range of psycho-social indicators that has been considered is limited. Therefore, the outlined theoretical context calls for evaluation research which considers the impact of public employment schemes a wide range of psycho-social indicators, and employs conscious case selection.

In sum, previous labour market policy research has considered a wide range of impact dimensions. Moreover, it has reached a high methodological level which includes microeconomic techniques as well as macro-level studies. At the same time, several research questions of high policy-relevance have remained unaddressed. When it comes to EPL, one open question is its role for the structural inequality between regular and atypical employees. Similar to EPL, unemployment benefits have mostly been evaluated from an economic perspective, while the relation to reemployment stability needs further assessment, and the impact on political attitudes has mostly been neglected. Research on active and ALMP programmes has recently widened its focus and covered both economic as well as psycho-social outcomes. Nevertheless, there are three aspects that need further assessment: First, research on the impact of activation programmes on job quality is still in its infancy. Second, macro level studies have not yet assessed the causal mechanisms which could drive the positive relation between aggregate ALMP intensity and employment performance. Finally, research on the psycho-social consequences has rarely considered the effect of actual public employment programmes, which are more likely to exert a positive influence on psycho-social outcomes than the more frequently studied workfare programmes. Moreover, previous research has been quite selective concerning the chosen outcomes, and should therefore be complemented by studies with a more encompassing perspective.

### *1.7 Methodology and data*

As I am interested in the causal relation between policy variables and outcomes, I apply quantitative methods to answer my research questions. Since labour market regulation and policies can be measured at different levels of data aggregation, I employ multilevel analyses as well as microeconomic methods. In the multilevel analyses (paper 2 and 4), I exploit cross-country variation in labour market policies and regulations and combine these aggregate indices with micro-level data. The microeconomic analyses (paper 1, 3 and 5) essentially rely on the comparison of some outcome variables of different groups of persons, with one group being subject to a certain treatment and the other one serving as control group. The choice of the research design depends on which one allows for credible identification of the policy effect. Moreover, some of the research questions explicitly point to a macro-micro relation which calls for multilevel analyses. Accordingly, I use a rather high number of different data sources. In the multilevel analyses, macro data are taken from OECD databases and combined with EU-SILC data which offer detailed longitudinal information on employment status. Paper 1, 3 and 5 rely on micro-level data only, with the exception of data on regional labour markets as control variables being used in paper 3 and 5. In paper 1, I rely on publicly available survey data which provide detailed information on political attitudes as well as basic socio-demographic characteristics. In paper 3 and 5, I rely on administrative data which offer detailed information on basic socio-demographic variables, employment history and current employment status. Moreover, I combine this administrative data with self-conducted survey data (paper 5) which aims at measuring the psycho-social situation of interviewees. Only by relying on such a wide range of different data sources, it is possible to fulfil the aim of this dissertation to evaluate public policies in a more multidimensional setting.

Even though the main innovation of this dissertation is the development of a new perspective for empirical policy-evaluation, some contributions are made at the methodological level. First, I introduce a microeconomic approach in the analysis of political effects of welfare state retrenchment. While I exploit a rather special setting here, this may be a first step towards a more frequent consideration of such techniques in this literature, since it circumvents the endogeneity inherent to welfare state cutbacks. Second, I combine administrative and self-conducted survey data in the analysis of psycho-social consequences of public policies. This allows for constructing more suitable control groups since certain indicators (e.g. past employment history) may be measured more accurately and precisely in administrative rather than survey data. Third, I use placebo tests in order to investigate the validity of different estimation techniques that aim at assessing interference between units in a non-experimental setting. In a nutshell, I follow a research design referred to as multilevel experiments (e.g. Sinclair et al., 2012) with treated as well as untreated clusters and treated and untreated units

within treated clusters. Based on this setting, I test for interference between units by exploiting the availability of two different control groups one of which is close to the treatment group and could therefore be affected by interference. The test is then based on a comparison of the outcomes of observations from these two groups. Since neither regional nor individual treatment is randomized, I conduct cross-section matching estimations as well as semi-parametric difference-in-differences estimation (DiD). Using placebo outcomes and placebo treatments, I provide evidence that semi-parametric DiD seems to be valid whereas simple cross-section matching analyses are biased due to endogenous regional selection. While this finding may seem quite specific at first glance, there may be a certain generalizability since regional selection could also be difficult to balance in other settings, e.g. due to the usually rather low number of observations at the higher level. Apart from these innovations, the empirical analyses pay close attention to robustness and correct specification at the levels of identification and estimation as well as statistical inference. Among others, this includes the use of placebo tests to validate identification assumptions, different estimation techniques to guarantee the robustness of the empirical findings, e.g. continuous vs. discrete survival analyses or different matching algorithms, as well as recent variants of wild-cluster bootstrapping that account for clustering when the number of clusters is small.

In sum, my empirical analyses rely on a huge set of different data sources which are analysed with recent quantitative techniques. I hereby provide some methodological innovations, and pay close attention to robustness and possible misspecification.

### *1.8 Summary of separate contributions*

This PhD consists of five papers. Each of the papers addresses one of the research questions in the outlined order. In this section, I will briefly summarize the methodological approach and the results of each paper.

#### *1.8.1 Paper 1: Economic miracle, political disaster? Socio-political consequences of the Hartz IV reform*

The first paper contributes to the discussion on the political effects of welfare state retrenchment. To this end, I analyse the impact of the German Hartz-reforms on a range of different political outcomes including satisfaction with democracy, political participation and protest voting. Apart from the general theoretical interest, the Hartz-reforms are a particularly interesting case for at least two reasons. First, they are commonly regarded as path-breaking reform in a political system that has for a long time been quite reluctant to policy-reforms in general and welfare state retrenchment in particular. Second, they have been subject to an encompassing scientific evaluation which has assessed its economic (see Koch et al., 2009) and distributional (see Becker and Hauser, 2006) effects whereas political effects have often been postulated in the public discourse (National Conference on

Poverty, 2005; 2014) but rarely been studied empirically. One of the few contributions is the recent one by Schwander and Manow (2017) which investigates the effect on the social democratic party (SPD) which has implemented the reform. To get a deeper insight into the political effects of the Hartz-reforms, I complement this research and analyse the impact of the reforms on further political outcomes.

Methodologically, previous research on the political consequences of welfare state reforms has mostly relied on cross-country multilevel analysis, with political attitudes measured at the individual and some welfare state indicator measured at the macro level. Even though this literature has reached an exceptional methodological level, it cannot circumvent that welfare state retrenchment is likely to be correlated with a large number of observed and unobserved factors which are difficult to control for in comparative analyses. In my empirical analysis, I try to overcome this problem and suggest an alternative approach which exploits the announcement of the Hartz-reforms as natural experiment. The latter has taken place with great media attention on March 14<sup>th</sup> 2003 by chancellor Schröder, while little has been known in advance. Therefore, my analysis is essentially based on the comparison of political attitudes of persons interviewed immediately before to immediately after the announcement. Data for the analysis are taken from the *Politbarometer*, a regular bi-weekly survey which includes questions on political attitudes, voting intentions as well as basic socio-demographic characteristics. The estimation itself is rather simple, with some outcome variable being regressed on the treatment indicator and a battery of covariates which include state fixed effects. However, I carefully assess the correct specification and robustness of the results both at the level of identification as well as statistical inference. With regard to identification, one concern could be that the results are driven by calendar effects, i.e. people tend to differ with regard to their attitudes depending on the calendar time at which the interview takes place. To test whether this is the case, I conduct a series of placebo tests for selected previous and subsequent years, and do as if the reform had taken place there. At the level of statistical inference, one may worry about the clustering of the data over time, since the interviewees are interviewed in time-specific clusters. As the number of clusters is small, I test for clustering by recalculating standard errors with different variants of wild-cluster bootstrapping that have been shown to perform well if the number of clusters is as small as six (Cameron et al., 2008, Cameron and Miller, 2015).

The empirical results broadly confirm the theoretical expectations. They point to a substantial decrease in satisfaction with democracy as well as increasing affinity to non-established parties, both in the form of right-wing as well as left-wing parties. Moreover, the intention not to vote in the upcoming election is strongly increased by the treatment. This contradicts the perception that the Hartz reforms have initiated a controversial public debate which could be expected to increase political participation. As

noted in section 1.5, this does not mean that this perception is simply a Fata Morgana, but the causal mechanisms which suppress political participation appear to dominate this conflict effect on aggregate. Supplementary analyses show that the effect is stronger on unemployed workers who are immediately affected by the reform. The robustness tests show that the results are not driven by calendar effects, and the calculation of standard errors is not hampered by time-specific clustering. Apparently, the Hartz-reforms indeed had detrimental political effects. This finding has at least two implications for future research and policy-making. First, considering the political effects of welfare state retrenchment is of great importance. This is possibly more so today than ever before, as advanced democracies are recently challenged by an increase of nationalism and populism that even undermines the functioning of political systems. Looking at this issue more from a policy-making point of view, it raises the question of how political effects could be mitigated. As case studies suggest, one way to reach this goal could be the formation of broad coalitions. This may also account to the Hartz-reforms which have been implemented in a “top-down, go-it-alone approach (Levy, 2010: 562).” Whether a broad coalition would have helped has to remain subject to speculation. Whether it will help in other cases should be subject to future research.

### *1.8.2 Paper 2: Unemployment and subsequent employment stability: Does labour market policy matter? (together with Melike Wulfgramm)*

The second paper turns the focus to a political economy perspective on the labour market and analyses the role of ALMP programmes and unemployment benefits for stable reemployment. The primary motivation for this paper lies in the concern that recent labour market policies have mostly focussed on quick reemployment but neglected the importance of reemployment quality, hereby deepening the gap between labour market insiders and those who change frequently between unemployment and low-quality jobs. Beyond this structural aspect, the consequences of unstable reemployment are manifold. It has been shown to go along with lower levels of job and life satisfaction (Erlinghagen, 2008; Giesecke, 2009; Esser and Olsen, 2012; Schwander and Häusermann, 2013), lower fertility rates (Adserà, 2004; Bernardi et al., 2008; Kreyenfeld, 2010) as well as increasing mental health problems (Catalano, 1991; Virtanen et al., 2005; Stuckler et al., 2009). Therefore, this paper widens the discussion on the consequences of active and passive labour market policies and analyses their impact on reemployment stability in Europe. Doing so, we follow theoretical reasoning from social policy analysis, labour market sociology and labour economics (Gangl, 2006; Wulfgramm, 2014), and hypothesize that reemployment stability is improved by more generous unemployment benefits as well as more intense ALMP, especially public employment services and training programmes.

As outlined in section 1.5, another more academic motivation for the paper is the explanation of causal mechanisms by which labour market policies affect employment performance. This accounts to

unemployment benefits, where previous research raises the question whether countries with more generous unemployment benefits achieve higher reemployment stability, as well ALMP, where previous research has revealed a positive aggregate relationship with employment performance, but not yet assessed the underlying causal mechanisms. The argument with respect to both policy fields calls for a macro analysis, where the impact of aggregate policy indicators is analysed. Since reemployment stability has to be measured at the individual level, this leads to a nested data structure which requires multilevel-modelling. To this end, we combine EU-SILC micro data on the time between 2005 and 2008, which contains monthly information on employment status and socio-demographic variables, with macro data extracted from the OECD and Eurostat databases. We measure ALMP intensity by spending per unemployed by GDP per capita. Since our hypotheses explicitly refer to specific types of ALMP, we add two separate indices for training programmes and counselling services to the one for total spending. With regard to UB generosity, we calculate the mean net replacement rate for three income categories and six family types and weight this indicator by benefit duration. As the duration of reemployment spells may go beyond the end of our observation period, we apply multilevel survival analysis to account for the censored nature of our dependent variable. We hereby construct an inflow-outflow sample, i.e. we look at persons who have become unemployed and then found reemployment again.

The results point to a non-negligible influence of both ALMP and UB generosity on reemployment stability. The impact is statistically significant and economically substantive and robust to several changes in model specifications. When it comes to ALMP intensity, moving from one standard deviation below the mean to one standard deviation above the mean increases the estimated probability to remain employed for at least one year from 35.1% to 45.1%. The results for UB generosity are fairly similar: The corresponding simulation reveals an increase from 37.6% to 44.5%. The positive effect of ALMP is confirmed for both sub-categories. With regard to ALMP, our results suggest that the positive aggregate effect on employment performance is partly driven by the positive impact on reemployment stability. In contrast, our results on UB generosity may help to explain why there is no consistent relationship between employment performance and the latter at the macro level: They suggest that the positive effect on reemployment stability may partly offset the disincentive effect. With regard to future policy-making, these results imply that the exclusive focus on quick reemployment may be short-sighted. If labour market policy reforms speed up labour market integration but reduce reemployment stability, this may result in an exhausting zero-sum game. In this regard, it is crucial that future policy-making widens its focus on the consequences of labour market policy and takes its effect on reemployment stability into account.

### *1.8.3 Paper 3: Fast track to the labour market or highway to hell? The effect of activation policies on quantity and quality of labour market integration*

The third paper is closely related to the second one and turns the focus to the effect of activation policies such as sanctions, public workfare programmes and counselling and monitoring schemes. They have gained increasing importance in most OECD countries, as they are easy to implement, comparatively cheap and likely to yield quick returns thus making them an attractive policy option in times of tight budget constraints (Andersen and Svarer, 2014). However, as the causal mechanism which drives quicker reemployment entails increasing pressure on unemployed workers, scholars of welfare state research have raised the concern that they will have a detrimental impact on reemployment quality in the same way low income support does (Barbier and Ludwig-Mayerhofer, 2004; Taylor-Gooby, 2004; Dingeldey, 2007). Empirical evidence on the impact of activation programmes on job quality is scarce, but the recent contributions by Arni et al. (2013) and van den Berg and Vikström (2014) indeed reveal a negative effect of sanctions, which underpins the concern about a quantity-quality trade-off. However, it should be considered that the expected impact on job quality may differ between activation programmes. While sanctions exclusively increase the pressure on unemployed workers, counselling and monitoring programmes combine repressive with supportive components. This raises the question of whether quicker labour market reintegration is still paid for with worse job quality if the activation programme follows a more balanced approach. To contribute to this discussion, I study the effect of a large counselling and monitoring programme from Germany on labour market integration and post-unemployment job match quality.

The programme under discussion is a rather typical counselling and monitoring programme. Participants receive intensified counselling services which aim at integrating them into regular employment. I rely on a microeconomic approach to identify the programme effect, which is essentially based on the comparison of employment outcomes of participants and a control group. Data for the analysis are taken from the social security records (Integrated Employment Biographies). They contain detailed information on socio-demographic variables, employment biography and employment status including gross wages. The latter will serve as indicator for job quality. While this operationalization may seem somewhat mono-dimensional, previous studies on post-unemployment job quality show that the results are quite consistent across different indicators (e.g. Tatsiramos, 2009). The treatment effect is estimated via matching and weighting estimators with the choice of the actual algorithms being based on recent Monte-Carlo evidence (e.g. Abadie and Imbens, 2011; Huber et al., 2013). The robustness of the results is checked with respect to the use of different estimation techniques as well as the construction of different sub-samples, e.g. duration of previous unemployment. Moreover, I conduct a range of placebo tests to validate the identification assumptions which require the absence of endogenous selection and interference between units.

The results point to a remarkable acceleration of labour market integration. 180 days after the beginning of the programme, absolute integration rates are 2.4 percentage points higher. Considering the low absolute integration rates of the target group, this translates into a relative effect of 35%. At the same time, there is clearly no effect on wages. Both effects are robust with respect to different estimation techniques as well as the construction of sub-samples. Methodologically, it is important to note that these results appear not to be driven by endogenous selection or interference between units. Taken together with the results on public workfare employment (Bennmarker et al., 2013) and sanctions (Arni et al., 2013; van den Berg and Vikström, 2014), this reveals an interesting picture. On the one hand, the latter confirm that the quantity-quality trade-off actually exists. Apparently, pushing people into the labour market by all means can have severely negative consequences for job quality. On the other hand, my results and the ones on workfare employment suggest that quicker, activation-induced labour market integration is not necessarily paid for with worse job quality. If the right balance between pressure and support is found, a positive effect on quantity of labour market reintegration can be achieved without worsening job quality. With regard to future policy-making, this suggests that activation policies should try to look for the right mix between pressure and support. To support this procedure, future evaluations of activation policies should pay more attention to job quality as outcome variable. At the same time and pointing to a more conceptual level, existing evidence also points to the necessity to reconsider previous categorizations of activation policies. Even though such categorizations must be ideal-typical to a certain extent, the distinction into “repressive (and) emancipating (Vlandas, 2013: 5)” activation may be too coarse, as the empirical results suggest that there is a huge variation in the impact on job quality between programmes from the same category. This calls for more fine-grained categorizations of activation policies, which could contribute to a deeper understanding of the impact on affected workers. Bonoli (2010) has made a promising step here with a more multi-dimensional framework, but a lot of work remains to be done.

#### *1.8.4 Paper 4: Are outsiders equally out everywhere? The economic disadvantage of outsiders in cross-national perspective (together with Hanna Schwander)*

The fourth paper addresses the insider-outsider divide in post-industrial labour markets most explicitly. As outlined in section 1.6, previous research on atypical employment has assessed both the consequences of atypical employment at the individual level, as well as the relation between labour market institutions and the share of atypical employment. However, no comparative study has addressed the question of whether labour market institutions also affect the degree of the disadvantage that atypical workers face. To complement previous research in this field, we therefore analyse the relation between labour market institutions and the outsider penalty. Doing so, we focus on temporary employment as the most common form of atypical employment. As the primary interest of this dissertation lies in the role of policies, we focus on EPL but additionally consider the impact of

unions which are also likely to play an important role for the situation of atypical workers. As EPL mostly affects the situation of workers via restriction for their dismissal, we focus on the degree of atypical workers in terms of the relative risk of future unemployment as well as the relative chance to find regular employment in the future.

The expectations with regard to EPL are fairly straightforward: We expect an increasing outsider penalty with increasing levels of EPL for regular workers. In contrast, the theoretical expectations with respect to the role of unions are a little bit more nuanced. While unions have often been conceptualized as insider institutions (Lindbeck and Snower, 1988), we follow recent arguments which challenge this conventional perspective, and argue that unions have strong incentives to follow an inclusive strategy at least under certain conditions (Benassi and Vlandas, 2013). Applying this argument to their role with regard to temporary employment, we further highlight that unions may wish to avoid the excessive use of temporary contracts, since temporary workers may be susceptible to employer's pressure due to their precarious position which undermines unions' bargaining power. Therefore, we expect that they promote the transition of temporary workers to regular employment. At the same time, this may have the unintended consequence of increasing the risk of future unemployment, if employers refuse to take over some of their temporary workers. As a consequence, we hypothesize that stronger unions will decrease the relative disadvantage in terms of being regularly employed in the future, but unintentionally increase the relative disadvantage with respect to future unemployment. Finally, we point out that the effect of unions and especially EPL may be stronger for younger workers. If EPL is weak, temporary jobs may well serve as stepping stones into the labour market after the end of their education. In contrast, if EPL is strong they are more likely to fall into a long-lasting trap of ongoing temporary employment. At this point, unions come into play because they may have a particularly strong incentive to avoid ever-lasting periods of temporary employment.

Similar to paper 2, the theoretical argument explicitly points to a macro-micro study, as labour market institutions are measured at the macro level, whereas the disadvantage of temporary works has to be measured at the micro level. Correspondingly, the analysis relies on a nested data structure which combines micro-level panel data information on employment status and socio-demographic variables (EU-SILC) and macro data on EPL, union density and macroeconomic control variables. EPL is measured by the OECD index for regular contracts, while the strength of trade unions is measured by union density. To account for the nested structure of our data, we employ multilevel logistic regression. The two dependent variables indicate whether someone has become unemployed/has found regular employment within the subsequent two years. In addition to current employment status (regularly employed/ temporary employed) and a battery of control variables, we insert a cross-level interaction term between the institutional variables and employment status to identify the mediating effect of the

institutional variables on the relative disadvantage of temporary workers. The results mostly confirm the theoretical expectations. EPL increases the relative disadvantage of temporary workers, especially in terms of the chances to find regular employment in the future. This effect is particularly strong for younger workers. In fact, the negative effect of being temporary employed even vanishes completely at very low levels of EPL. The results on unions confirm the expectation that unions speed up the sorting process leading to an increase of both the relative risk of future unemployment as well as the chance for regular employment. Once again, the positive effect of unions on the relative chance to find regular is stronger for younger workers, whereas there is no effect at all on the relative chance to become unemployed. These results are robust to a different selection of control variables as well as the construction of sub-samples.

These results have implications for both the role of unions and EPL in the debate about labour market dualization. As expected, the results point out that maintaining a high level of EPL for insiders comes at the cost of higher economic disadvantages for labour market outsiders. From a policy-making point of view and considering the widening gap between insiders and outsiders, this suggests that labour market regulations should find a new balance which guarantees a certain level of employment protection at the same time considering that it should not be limited to a privileged group. With regard to unions, they support the recent argument that the ad hoc conceptualization of unions as insider institution should be revisited. While this may hold true in some countries, the overall impact on the outsider penalty suggests the opposite. At the same time, it should be acknowledged that our results do not yet fully explain the whole picture, and the argument on the causal mechanisms remains to a certain extent speculative. Possibly, further research in the form of case studies is needed which addresses the question of how union strategies towards labour market outsiders differ and how they affect the latter. In any case, our results show that the impact of labour market institutions on the outsider penalty is non-negligible and institutions should therefore remain on top of the welfare state research agenda.

#### *1.8.5 Paper 5: Can public employment schemes break the negative spiral of long-term unemployment, social exclusion and loss of skills? Evidence from Germany*

The final paper turns the focus to the psycho-social consequences of public employment schemes. Originally, the purpose of PES was to function as a stepping-stone into regular employment, especially for long-term unemployed workers. By getting them used to regular working activities again, PES were supposed to keep the unemployed closer to the labour market hereby fostering quicker labour market reintegration. While previous evaluations have revealed that PES do not achieve this goal and often even worsen employment chances of participants (Card et al., 2010), they are the type of ALMP that is most likely to have a positive effect on the psycho-social situation of unemployed workers. To date,

little evidence on the psycho-social effects of PES exists, as previous research on the psycho-social consequences of ALMP has mostly concentrated on workfare programmes. To fill this gap, I analyse the impact of a German public employment scheme on a wide range of psycho-social indicators.

The programme under discussion is a public employment scheme with some special features. It is quite intense, with a comparatively high work amount (20 or 30 hours per week) and long contract duration (one to three years). Unlike workfare programmes, selection into the programme is voluntary and the PES job formally constitutes an employment relation where participants receive a wage rather than welfare benefits. Therefore, the jobs are much more similar to regular jobs than workfare programmes thus making them more suitable to substitute the non-pecuniary aspects of regular employment. Moreover, a distinct feature of the programme is that all participants receive mandatory coaching. The latter is of very diverse content and shall support participants with regard to particular social problems. Taken together, the programme is much more likely to improve the psycho-social situation of unemployed workers than the ones considered in previous evaluations. The empirical analysis relies on a control group design. All potential participants first undergo a period of intensified counselling and monitoring. If they fail to find a job despite documented search activities, they can either apply for the programme (treatment group) or continue to look for a job in the regular labour market (control group). The treatment effect is estimated by comparing the outcomes of treatment and control group by means of semi-parametric difference-in-differences (DiD) estimation, i.e. DiD in a matched sample. This accounts for the fact that selection into the programme is non-random and possibly also based on unobservable characteristics. The data base for the project is unique and combines administrative data (IEB, see paper 4) and self-conducted survey data. The administrative data contain detailed information on past employment history, whereas the survey consists of questions on basic socio-demographic variables and is used to measure the outcome variables. The measurement is based on previously used and validated surveys. The outcome indicators can be subcategorized into four groups, namely social inclusion, cognitive skills, non-cognitive skills and specific social problems. Each group consists of four or five variables.

The results partly confirm and partly contrast the theoretical expectations. On the one hand, there is no effect at all on cognitive skills or special social problems. This reinforces the concern that the PES activities are not intense enough to improve cognitive skills. Similarly, severe social problems such as drug addiction or family conflicts seem to require a more intensive treatment than the coaching offered within this programme. In contrast, there is a limited but positive impact on several indicators of social inclusion as well as non-cognitive skills, e.g. the frequency of social contacts or the willingness to take over the initiative as well as the capacity for teamwork. Moreover, there is a positive impact on self-assessed work experience and professional qualification, suggesting that participants perceive

their activities as meaningful. These results are robust with respect to the construction of subsamples as well as the use of different matching algorithms. In sum, these findings reveal the theoretically plausible pattern that PES may be a means of social inclusion and can improve the social and subjective situation of unemployed workers, but may not be suitable to improve cognitive skills relevant for future employment. To come back to the theoretical and political discussion about PES, these results suggest that there are two sides to the coin. On the one hand, they are consistent with and substantiate the finding of the economic literature that they will not boost employment chances, probably even in the very long run. In this regard, they are not an effective means from an economic point of view, let alone fiscally efficient. On the other hand, they do improve the subjective situation of unemployed workers. These findings suggest that there is a trade-off inherent to PES. While they will lead to economic costs, they can mitigate the psycho-social consequences of unemployment. The decision about (not) implementing PES is therefore a normative one, in which the subjective gains have to be weighed against the economic costs. In other words, it is a political decision about how many resources societies are willing to invest in order to improve the subjective situation of unemployed workers.

### *1.9 Summary and conclusion*

This PhD has combined insights from different bodies of political science and social policy literature with those of previous evaluation research. While the latter has conducted policy-evaluation with a strong focus on economic outcomes, the former has pointed to a range of new social problems and impact dimensions that have recently gained increasing importance. This includes a new structural inequality within the labour market, increasing social marginalization of long-term unemployed workers as well as the political consequences of welfare state reform. Up to now, these new impact dimensions have received little attention in public policy evaluation. Therefore, it is the central aim of this PhD to put forward a more multidimensional and interdisciplinary approach to policy-evaluation. As most of the outlined dimensions relate to structural aspects of the labour market, I have analysed the impact of different kinds of labour market policy, namely unemployment benefits, activation and active labour market policies, and employment protection legislation. The results follow a consistent pattern that can be summarized in one sentence: Policy-making means living in a world of trade-offs. First, this finding applies to different kinds of activation and active labour market policies: Training programmes have been shown to display lock-in effects that lead to decelerated labour market reintegration in the short run, whereas our comparative analyses have pointed to positive effects on reemployment stability. Furthermore, activation programmes have been found to be an effective means of speeding up labour market integration, but certain activation programmes appear to contribute to a deterioration of post-unemployment job quality. Moreover, public employment schemes did not fulfil their original purpose but even worsened employment chances of participants,

while my analysis has revealed positive effects on the subjective situation and non-cognitive skills of unemployed workers. Second, my analyses highlight the ambiguity of EPL. While it is a reasonable and legitimate tool to protect the workforce from permanent job insecurity, it also appears to deepen the gap in future employment chances between temporary and regular employees. Finally, a trade-off can be detected and is possibly most severe for unemployment benefits. On the one hand, there is overwhelming evidence for a disincentive effect of unemployment benefits which leads to longer unemployment durations. On the other hand, unemployment benefits contribute to more stable reemployment. Moreover, I have shown that the Hartz-reforms, which reduced unemployment benefit generosity, have caused decreasing satisfaction with democracy as well as lower levels of political participation and higher affinity to non-established or extremist parties. Hence, reducing unemployment benefit generosity may well be an effective means to shorten unemployment spells, but it may come along with less stable reemployment and unintended political consequences. Table 1.2 provides a summary about the core results from my empirical analysis including selected results from the reviewed literature on the three kinds of labour market policy.

These findings have far-reaching consequences for future policy-making and labour market and social policy research. Looking at the results from a policy-making point of view, they imply that the decision about certain policies should not be made based on their effect on one or a narrow set of previously chosen outcome(s). In contrast, policy-making needs to consider the multidimensional effects of certain interventions, and trade these effects off against each other. Referring to the example of public employment schemes, they should not simply be abandoned due to their negative effect on labour market integration, or unambiguously implemented due to their positive effects on the subjective situation on unemployed workers. In contrast, the normative and political decision that has to be made is whether and how many resources societies are willing to invest in order to improve the subjective situation of unemployed workers. At the same time, it should be pointed out that policy-making does not necessarily have to accept the trade-offs, but should also try to solve it in the best possible way. This dissertation consists of different examples which suggest that the solution to these trade-offs could take place at two different levels. The first one is the implementation of policies as such. As previous research on activation programmes has shown, intensive forms of activation such as sanctions may hurt post-unemployment job match quality. In contrast, my analysis on an activation programme from Germany shows that it is possible to maintain a positive effect on labour market integration without impairing job quality if the right balance between pressuring and supportive components is found. While this is a quite specific example, similar solutions may be possible in other contexts as well. To mention one more example, the negative effect of PES could possibly be mitigated if they included the possibility of short interruptions for internships in the private sector hereby circumventing the problem that PES activities are too far away from the regular labour market. At the

same time, there is no reason to believe that this would limit the positive psycho-social effect. The second level is the one of political communication. As outlined in paper 1, the consequences of the Hartz-reforms might have been less severe if the reforms had been announced and implemented by looking for a broad coalition rather than in a top-down approach. Once again, this looks like a rather special example at first glance, but it may generalize to other contexts as well. To underpin this argument, I would like to point to a different but highly relevant example, namely European Integration. The positive aspects such as higher mobility, peace and the benefits of free trade have been widely acknowledged in the academic debate. Nevertheless, there has recently been an increase of Euro-scepticism which even spurred the foundation and success of Euro-sceptic parties. While the explanations for this phenomenon are manifold, it is likely to be part of the story that the European Integration has for a long time been driven by political elites, who tried to push the European Integration forward “without telling (the people) too much about what was happening (Moravcsik, 1997: 254).” Once again, the unintended political side-effects that can be observed right now might have been different if political elites had found a better way to explain the rich advantages of the European Integration to the population.

policy field	policy programme	outcome variable	observed effect	source
<i>unemployment benefits</i>	benefit level and duration	reemployment stability unemployment duration	positive positive	paper 2 van Ours and Vodopivec (2008)
	unemployment benefit reform	satisfaction with democracy political participation affinity to extremist parties	negative negative positive	paper 1 paper 1 paper 1
<i>active labour market policy</i>	training programmes	reemployment stability	positive positive	paper 2 Card et al. (2010)
	public employment services	reemployment stability unemployment duration	positive negative	paper 2 Card et al. (2010)
	public employment schemes	employment probability cognitive skills social problems social inclusion non-cognitive skills	negative none none positive positive	Card et al. (2010) paper 5 paper 5 paper 5 paper 5
<i>activation programmes</i>	sanctions	unemployment duration post-unemployment job quality	negative negative	van der Klaauw and van Ours (2013) Arni et al. (2013)
	counselling and monitoring	unemployment duration post-unemployment job quality	negative none	paper 3 paper 3
<i>labour market regulation</i>	EPL	several economic outcomes	ambiguous	e.g. Nickell and Layard (1999)
	EPL for regular employees	share of atypical employment outsider penalty	positive positive	Polavieja (2006) paper 4

**Table 1.2.** Summary of the main results from my papers as well as selected papers from the review. The observed effect refers to the statistical relationship, i.e. a positive effect on unemployment duration means that unemployment duration increases. Source: my own illustration.

Beyond the practical implications, the results of this dissertation call for a recalibration of the different approaches to labour market and social policy evaluation in at least three regards. First, they call for a different relation between normative and empirical social science research. For a long time, these two approaches have developed rather independently from each other, with rather abstract but fundamental reciprocal criticism. One argument of the normative social scientists has been that the choice of the research question as such entails a normative choice (Schütt-Wetschky, 1990). This argument is far from new. As early as 1904, Weber has pointed out that the choice of the research question “results from the normative ideals of the researcher and the society (Weber, 1904: 58, my own translation).” At the same time, the debate has for a long time remained at a rather abstract level. It seems quite paradox, but my five very empirical papers strongly support this point. For example, evaluating unemployment benefits based on their impact on unemployment duration will obviously lead to a very different normative conclusion compared to an evaluation which considers reemployment stability or political attitudes. This implies that the selection of the research question does not only entail a normative choice, but the final conclusion about a certain policy will completely depend on the choice of the outcomes that has initially been made. To substantiate this argument, it should be pointed out that it will usually be impossible to identify outcomes that are per se more important than others in some objective sense. This holds true even for indicators that are often referred to as subjective outcomes. As Oswald (1997: 1815) puts it: “Economic performance is not intrinsically interesting (...). Economic things matter only as so far as they make people happier.” Taken together, this means that a mono-dimensional approach to policy-evaluation fails to distinguish the normative and empirical level, as normative conclusions are drawn from empirical analyses which entail normative pre-determinations themselves. In contrast to this approach, I advocate for a different procedure in which encompassing empirical policy-evaluation provides the basis for a normative discourse. To do so, a comprehensive theoretical framework which works out possible impact dimensions of the respective policies should be developed. The resulting encompassing empirical evidence can then serve as a basis for a normative political discourse, in which the gains and drawbacks of the respective policies can be traded off against each other.

Second and relatedly, the development of such a framework requires a closer connection between theoretical and empirical, applied research. Only by cautious theoretical considerations, a comprehensive framework that covers all relevant impact dimensions can be developed. To date, the choice of the outcomes in empirical research remains somewhat under-theorized and ad hoc. This applies to academic as well as applied research conducted for policy-consulting. For example, official evaluations of active labour market policies have mostly focussed on their effect on labour market integration and fiscal efficiency. Psycho-social outcomes play at best a minor role, while political effects are neglected completely (see e.g. IAQ and IAW, 2012). This calls for a closer connection between

theoretical and empirical research, in which a carefully developed theoretical framework guides the selection of the research questions and selected outcomes for the empirical evaluations.

Third and most fundamentally, a more multidimensional approach requires opening up and thinking beyond the borders of academic disciplines. At the very beginning of this chapter, I have pointed out that there is a very clear-cut association of the different social science disciplines to the actor-centred and problem-oriented perspective in policy research, with the problem-oriented perspective being strongly dominated by economists whereas especially political scientists strongly focus on the actor-centred approach. To be very clear on that, my argument neither intends to question the importance of economic policy-evaluation nor does it advocate in favour of a purely problem-oriented perspective in other social science disciplines. It is evident that scientific policy analysis should not be limited to identify policy problems and effective solutions, but also consider the process of actually (not) adopting these policies. Nevertheless, my analyses show that policy-evaluation needs an interdisciplinary approach which complements the economic perspective by the one of other social science disciplines. The development of a comprehensive framework to policy-evaluation requires combining theoretical insights of different disciplines which identify all possible effects of a certain intervention. And only by providing such a comprehensive framework, empirical policy-evaluation can provide the basis for a political discourse on which policies (not) to implement. In addition, a more interdisciplinary approach can also combine the strengths of different disciplines in other regards. For example, political scientists have paid close attention to the political embeddedness of policies as well as conscious case selection. In my analyses on the effects of activation programmes and public employment schemes, I have argued that these cases are of particular relevance for the corresponding theoretical discussion. Once again, the choice of the cases may have a non-negligible influence on our policy-conclusions. In any case, the necessity to move to a more interdisciplinary approach to policy-evaluation has become evident in many regards.

It has to be admitted that this dissertation is only a first step towards such a more comprehensive approach. The outlined dimensions and selected outcomes are not exhaustive, and there is an endless list of policies to which a comprehensive approach can be applied. Furthermore, limits of time and space made it impossible to address all research gaps mentioned in the introduction. For example, the political effect of ALMP programmes is still a largely unaddressed issue. Moreover, it should be noticed that the encompassing framework considered necessary should be regarded as a dynamic rather than a static one, as new theoretical insights, policy changes or new social problems may give rise to new impact dimensions. In this regard, the bottom line of my argument is not that we need one particular new theory in the evaluation of labour market and social policies, but that we need a new theoretical perspective. A new theoretical perspective which leaves behind the controversies between different

approaches to policy analysis and keeps in mind that it is the goal of policy evaluation to provide an encompassing picture about the multidimensional consequences of certain interventions. Obviously, approaching such a new perspective is a long way to go, and it requires thinking beyond the tight borders between different scientific approaches: the borders between normative and empirical research, the borders between theoretical and empirical or applied research, and – most fundamentally – the borders between academic disciplines. To put the core statement of this argument in one sentence, as I have done it in the title of this PhD, it is about moving towards comprehensive policy-evaluation, and reassessing the effects of labour market and social policies from an interdisciplinary perspective.

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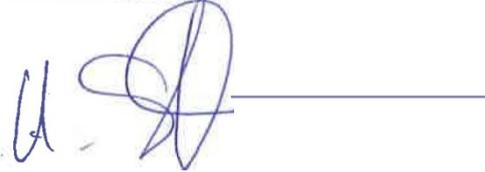
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## Co-author statements

Article: Fervers, Lukas & Hanna Schwander: "Are outsiders equally out everywhere? The economic disadvantage of outsiders in cross-national perspective", European Journal of Industrial Relations, 21(4): 3.69-387.

I confirm that the development of the paper in terms of data management, model specification and estimation as well as the actual writing process has been done together, so that both authors have contributed to the article in equal shares.

Hanna Schwander



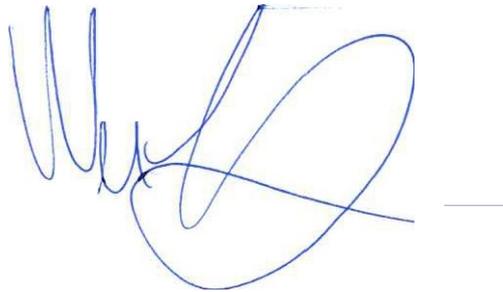
Article:

Wulfgramm, Melike & Fervers, Lukas. 2015. "Unemployment and Subsequent Employment Stability: Does Labour Market Policy Matter?", ***Socio-Economic Review***, 13 (4): 791-812.

I confirm that the development of the paper in terms data management, model specification and estimation as well as the actual writing process has been done together, so that both authors contributed to the article in equal shares.



Melike Wulfgramm



## **List of publications**

Contributions 1,2,4 and 5 are already published in peer-reviewed journal articles. They therefore do not appear again in the published version, but can be accessed directly via the homepage of the journals. The publications are:

**Paper 1:** Fervers, Lukas (2018): “Economic miracle, political disaster? Political consequences of the Hartz-reforms“, *Journal of European Social Policy*, online advance access <https://doi.org/10.1177/0958928718774259>

**Paper 2:** Wulfgramm, Melike and Fervers, Lukas (2018): “Unemployment and subsequent employment stability: does labour market policy matter?“, *Socio-Economic Review* **13**(4), 791-812.

**Paper 4:** Fervers, Lukas and Schwander, Hanna (2015): “Are outsiders equally out everywhere? The economic disadvantage of outsiders in cross-national perspective“, *European Journal of Industrial Relations* **21**(4), 369-387.

**Paper 5:** Fervers, Lukas (2018): “Can public employment schemes break the negative spiral of long-term unemployment, social exclusion and loss of skills? Evidence from Germany“, *Journal of Economic Psychology* **67**, 18-33.

## **2. Fast track to the labour market or highway to hell? The effect of activation policies on quantity and quality of labour market integration**

### *2.1 Introduction*

Most post-industrialized countries have experienced an activating turn in social and labour market policy, which is characterized by a huge diversity of different active labour market and activation policies (Eichhorst et al., 2008; Kenworthy, 2010; Vlandas, 2013; Haskins, 2015). They range from long training programmes aimed at human capital accumulation to activation policies such as sanctions, public workfare employment as well as counselling and monitoring schemes which put a strong focus on quick reemployment.<sup>1</sup> Unlike long training programmes, activation policies have the advantage that they are relatively inexpensive and easy to implement. Moreover, they are likely to yield quick returns because they have an immediate influence on targeted unemployed worker. From an economic and fiscal point of view, it is thus tempting to focus on activation policies, especially in times of high unemployment and tight budget constraints (Van der Klaauw and Van Ours, 2013; Andersen and Svarer, 2014). In contrast, scholars of social and public policy have raised the concern that quicker, activation-induced labour market integration is paid for with worse job quality, e.g. in terms of lower wages (Barbier and Ludwig-Mayerhofer, 2004; Taylor-Gooby, 2004; Dingeldey, 2007). If unemployed workers are pushed into the labour market by all means, it is possible that they are forced to apply for and accept available job offers which are worse than the best job they could have reached with less pressure but more support and time for job search. This raises the fundamental question whether activation policies face a quantity-quality trade-off regarding their influence on labour market (re-) integration.

Exploring whether such a trade-off is present is of great importance in at least three regards. From the perspective of the individual, quicker but worse labour market integration is likely to result in lower levels of job and life satisfaction. From a more structural, political economy perspective on the labour market, low job quality of reintegrated workers bears the danger of increasing labour market dualization. In presence of a rapidly increasing gap between labour market insiders and outsiders, who experience frequent transitions between unemployment and unstable reemployment, high quality of labour market reintegration is of growing importance to keep outsiders from falling into a low-wage trap (Emmenegger et al., 2012; Schwander, 2012; Fervers and Schwander, 2015). Finally, from an economic point of view, it is questionable whether quicker but worse labour market integration is

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<sup>1</sup> There are different distinctions of active labour market and activation policies in the economic and social policy literature. In the terminology used here, activation programme refers to policies that have variously been labelled as workfare (Dingeldey 2007), liberal (Barbier and Ludwig-Meyerhofer 2004) or repressive (Vlandas 2013) activation, and include sanctions, workfare employment and counselling and monitoring schemes.

beneficial in the long-run, because worse job quality may incur human capital losses thus contributing to higher unemployment over the life course (Van den Berg and Vikström, 2014).

Despite the growing body of policy and programme evaluations in this field, evidence on the effect of activation policies on job quality is very limited. I contribute to this discussion by analysing the effects of a large-scale activation (counselling and monitoring) scheme from Germany on quantity and quality of labour market integration, measured by employment probability and post-unemployment wages, respectively. I combine administrative data from various sources to conduct matching estimations with regression adjustment. The credibility of the analysis is enhanced by the high quality of the data, as well as the institutional setting of the programme which allows testing more rigorously for endogenous selection and substitution effects than many previous evaluations could.

The remainder of this paper is organized as follows. I start section 4.2 with some theoretical considerations on the expected effects of workfare programmes (4.2.1). Moreover, I review existent evidence on this issue (4.2.2). Subsequently, I present my empirical analysis in section 4.3. I start with a short description of the programme under discussion (4.3.1), which is followed by the explanation of the data sources and variables (4.3.2) as well as the identification strategy (4.3.3). Afterwards, I present and discuss the results of the treatment effect estimation including robustness and specification analyses (4.3.4). The last section (4.4) concludes with a short summary of the results and implications for future research and policy-making.

## *2.2. Activation policies – a road to quick but dirty integration?*

### *2.2.1 Theoretical considerations*

The starting point for the concern about a quality-quantity trade-off is the goal of activation policies. They aim at quick reintegration, whereas job quality is regarded as less important, i.e. “emphasis is placed on the pressure or even compulsion for the unemployed (...) to (re-) enter the labour market, even with low-income-jobs” (Dingeldey, 2007, p. 825). This implies that the unemployed are encouraged or even forced to accept “any job on the market as it is” (Barbier and Ludwig-Meyerhofer, 2004, p. 27). Standard search theory argues that unemployed workers adapt their search behaviour if labour market policies change their utility of ongoing job search or immediate reemployment, respectively (as outlined in the context of unemployment benefits by Katz and Meyer, 1990). The focus on quick reemployment may therefore contribute to a quality-quantity trade-off in three ways. First, they force unemployed workers to be less selective with regard to available job offers. If, for example, threatened with sanctions (which induce a severe drop in the utility of ongoing job search), the unemployed have no other choice but to apply for and accept any available job, even if there may be better job offers to come. Second and relatedly, the pressure of activation programmes shortens the

time that is available for job-search. If the time for job-search needed to find the best available job is, say, one year, but the activation programme forces targeted unemployed workers to find and accept jobs within a shorter period of time, this will contribute to inferior job quality (Burdett, 1979; Gangl, 2006). Finally, and looking at this issue from a more sociological or social psychological perspective, activation programmes may lead to social stigma for targeted workers (which also reduces the utility of ongoing job search). Suffering from such a stigma may again lead to the acceptance of jobs which are worse than the best job that would have been found without this stigma (Wulfgramm, 2014). All these three mechanisms can be expected to lead to quicker reintegration, but also to worse job quality. A similar argument has been outlined with regard to unemployment benefits. Benefits of short duration and low level influence the unemployed in a similar way activation programmes do, they pressure them to accept available jobs quickly. Even though empirical evidence is somewhat mixed here, it shows that intense pressure on unemployed workers can have non-negligible negative effects on job quality (Gangl, 2006; Tatsiramos, 2009; Caliendo et al., 2013).

It has to be considered that these arguments generally apply for most kinds of activation programmes, but not necessarily in the same way. They differ in their intensity and the mix of pressuring and supportive components. If a programme entails severe sanctions after a very short period of time, the resulting positive (negative) effect on quantity (quality) of reemployment is likely to be very strong. In contrast, if a counselling and monitoring scheme increases the pressure on unemployed workers but also includes counselling services such as profiling or information about available job offers, the trade-off is likely to be much weaker. If the supportive components are strong enough, they may even counterbalance the negative impact of the pressuring components completely. Therefore, a sound knowledge of the institutional setting of an activation programme is of great relevance with regard to considerations concerning external validity. General conclusions should only be made with regard to programmes which are rather similar in their mix of pressure and support (and eventually also other institutional characteristics).

### *2.2.2 Previous evidence*

I briefly summarize existent evidence on the effects of activation policies. Following the aforementioned argument, I distinguish between different kinds of activation programmes, namely sanctions, counselling and monitoring programmes and public workfare employment.

Sanctions are probably the most intense kind of activation. In their most extreme form, they withdraw any income from the unemployed, leaving them with very little choice concerning the compliance to their obligations. Previous research on sanctions has initially put a strong focus on the effect on the quantity of employment (measured by the probability of exit from unemployment or benefit receipt as well as outflow into employment). Overall, the results are quite optimistic. Positive impacts on one

or more of these variables have been found in a number of studies for different countries, including Switzerland (Lalive et al., 2005), Netherlands (Van den Berg et al., 2004; Van der Klaauw and Van Ours, 2013) and Germany (Boockmann et al., 2014; Hillmann and Hohenleitner, 2015). The magnitudes of the effects differ, but they are mostly reported to be very strong. For example, Lalive et al. (2005, p. 1404) estimate that the exit from unemployment (all else being equal) increases by 25 percent if unemployed workers are threatened with sanctions, which is followed by another increase of 20 percent if the sanction is actually imposed. In sum, it has been concluded that sanctions are an effective means of increasing exit from unemployment and benefit dependency as well as reemployment probability (for a meta-analysis see Kluge, 2010). At the same time, this rather optimistic view has recently been challenged by empirical evidence which revealed a negative impact on job quality. Arni et al. (2013) rely on Swiss register data and detect a negative influence on post-unemployment wages and job stability. Similarly, Van den Berg and Vikström (2014) combine Swedish register data and information from a large-scale employer survey and confirm a negative effect on job quality in terms of wages, occupational level and the probability to move to a part-time job. These findings confirm the concern that quicker integration achieved by the means of sanctions is paid for with worse job quality.

Workfare employment (employment programmes that have to be carried out in exchange for benefits) and counselling and monitoring schemes are less intense kinds of activation. They may be accompanied with sanctions in case of non-compliance, but also consist of supportive components. Counselling and monitoring schemes provide better information about available and suitable job offers, whereas workfare employment may support the unemployed to get used to regular working activities again. Therefore, one would expect a weaker effect on the quantity of employment but also less negative effects on job quality. Indeed, the results concerning the impact of counselling and monitoring schemes on labour market integration are more mixed. Neither Gorter and Kalb (1996), Ashenfelter et al. (2005), Van den Berg and Van der Klaauw (2006), nor Manning (2009) find any effect of counselling and monitoring schemes. In contrast, positive effects are reported by Dolton and O'Neill (2002), Graversen and Van Ours (2008), McVicar (2010), Hägglund (2011) as well as Cockx and Dejemeppe (2012). Once again, the results differ not only between but also within studies. For example, the randomized experiment conducted by Hägglund (2011, p. 92) yields an increase in the outflow from unemployment (even before programme start) of about 50 percent in Jämtland, whereas the effect is insignificant for the three other Swedish counties. The estimates of Graversen and Van Ours (2008, p. 2031) translate into a relative effect on the job finding rate of 30 percent, whereas McVicar (2010, p. 311) reports that the abandonment of counselling and monitoring has led to a 15 percent increase of registered unemployment. All in all, the effect on employment status has been reported to be either positive or insignificant. However, none of the aforementioned considers the impact on job quality.

The picture is similarly mixed for public workfare employment (workfare employment refers to public employment programmes which have to be carried out in exchange for benefit receipt. They primarily aim at testing the compliance of unemployed workers). On the one hand, the studies conducted by Huber et al. (2011) and Hohmeyer and Wolff (2012) both conclude that a large-scale public workfare programme from Germany (the so-called One-Euro-Jobs) does not foster labour market integration. On the other hand, Benmarker et al. (2013) exploit a natural experiment from Sweden and estimate that the threat effect of a workfare programme on outflow from unemployment amounts to 10 percent. Their study is also one of the rare ones which explicitly considers the quality of labour market reintegration. In contrast to the studies on sanctions, they do not find a negative effect on post-unemployment wages. This is consistent with the aforementioned argument that the expected quality-quantity trade-off is likely to be weaker. To sum up, previous research yields either positive or insignificant effects of counselling and monitoring schemes as well as public workfare employment on employment probability.

Thinking about the arguments outlined in the public and social policy literature, it becomes quite clear where the gaps in the literature are. Activation and active labour market policies are usually conceptualized as a continuum, with exclusively pressuring programmes (e.g. sanctions) on the one end and programmes with strongly supportive components (e.g. long training programmes) on the other end (see e.g. Barbier and Ludwig-Mayerhofer, 2004; Taylor-Gooby, 2004; Dingeldey, 2007; Vlandas, 2013). As the literature review indicates, there is strong evidence that programmes that lie at the extreme point of the continuum (namely sanctions) indeed hurt job quality. However, considering the theoretical arguments on the causal mechanisms of activation policies, it becomes apparent that we may observe different effects if we move away from the extreme point of the continuum towards programmes which combine pressuring and supportive components, namely counselling and monitoring schemes or public workfare employment. In this regard, analysing the effect of e.g. counselling and monitoring programmes on job quality and quantity is a major gap in the literature.

### *2.3 Empirical evidence*

To contribute to this discussion, I now present my analysis of the impact of a counselling and monitoring scheme from Germany (called “Activating Citizens”) on job quality and labour market reintegration. Before I present the actual empirical analysis, I outline its institutional features, which make it particularly interesting in the given theoretical context.

#### *2.3.1 Activating citizens*

*Activating Citizens* is a large scale counselling and monitoring programme from Germany. Programme participation started between July 2010 and June 2011 with altogether 138,010 participants, who were scattered throughout the whole country. This makes it one of the largest active labour market policy

(ALMP) programmes in Germany during this time. It is not part of the regular set of ALMP instruments, but a special programme co-funded by the European Social Fund.<sup>2</sup> In addition to these basic facts, there are a couple of features which are of relevance for internal and external validity, namely the content of the programme as well as the mode of implementation.

While there are some differences in the administration of the programme between different regions, it essentially consists of more and intensive counselling services and monitoring of job search behaviour. This includes more frequent contacts between the targeted unemployed worker and its counsellor. Additionally, short courses such as job application training could have been part of the programme. However, these courses are not aimed at systematic human capital accumulation but rather test the compliance of participants. If the unemployed do not comply with their legal obligations defined by the programme, they are threatened with sanctions in terms of benefit withdrawal. The period of increased counselling and monitoring usually lasts for six months, and participation is mandatory in most job centres (the legal employment agencies). The goal pursued with the programme is direct labour market integration with nothing being specified on the type or quality of the job. The target group was rather broadly defined: all participants who rely on social assistance benefits but are physically able to work could have been selected as participants (receipt of social assistance in Germany mostly starts after a period of unemployment of at least one year but is then unlimited). For the identification strategy, it is crucial to note that the implementation mirrors the structure of a (nonrandomized) multi-level experiment (see e.g. Sinclair et al., 2012), i.e. there are participating and non-participating job centres, as well as participants and non-participants within participating job centres. Finally, it has to be mentioned that participants who cannot be successfully integrated into the labour market during this scheme can apply for a job in a public employment scheme. While this paper focusses on the counselling and monitoring scheme only, this has to be considered for the interpretation of the long-term effects. For time periods of more than six months after programme start, the displayed treatment effects estimate the common effect of the counselling and monitoring and public employment scheme. Moreover, it has to be considered that reductions of the outflow into employment immediately before the end of the counselling and monitoring scheme may result from anticipation effects.

There are at least four institutional features that make this activation scheme particularly interesting in the given theoretical context. First, it sticks to the goal of quick reemployment but also consists of supportive components: Participation is mandatory, and non-compliance is sanctioned, but these sanctions are only the last resort. The initial attempt of the programme is to reintegrate targeted

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<sup>2</sup> The results presented here are part of an official evaluation that has been conducted on behalf of the German Federal Ministry of Labour and Social Affairs.

workers by more intensive counselling. Second and relatedly, it is a rather typical counselling and monitoring scheme without extraordinary features. While it may also be of interest to focus on rather extreme cases, the scheme under discussion allows for more general conclusions with regard to counselling and monitoring schemes as a whole. Thirdly, the target group is rather broadly defined and therefore constitutes a more representative picture of all long-term unemployed workers in Germany, again contributing to higher degree of external validity. Finally, the large number of participants again increases the political relevance but also tends to support the generalizability of the results.

### *2.3.2 Data and variables*

I rely on register data to identify the effect of the programme, the Integrated Employment Biographies (IEB). The IEB is an administrative dataset that is commonly used in German ALMP evaluations, and combines information from all social security records. It therefore contains daily information on all spells of all persons who are employed, unemployed, participate in an ALMP programme or receive social assistance. It is not publicly available, but the necessary parts of the dataset are directly delivered to researchers on request and for clearly defined purposes. I have access to four subsamples of this database, one sample of treatment observations and three different samples of control units. The sample of treatment observations is a 50 percent random sample of all participants, which amounts to 69,005 treated observations. They have all started programme participation between July 2010 and June 2011. The three samples of control units each consist of 125,000 observations. The first group of control observations consists of persons from participating job centres who would have been eligible for programme participation (i.e. have been unemployed and received social assistance at some point between July 2010 and June 2011), but did not actually participate. This sample will serve as the basis for the matching analysis. The two other samples will be used to identify substitution effects (see section 4.3.3). They both consist of individuals who have been or become unemployed between July 2008 and June 2009. One sample is drawn from job centres which have later participated in the programme, the other one is drawn from non-participating job centres.

Some sample restrictions have been imposed, but mainly for technical reasons. The only substantive restriction is that people had to be older than 17 but younger than 60 years, because these groups of workers might be treated very differently by employment agencies. Moreover, observations have been discarded from the analysis if they have missing, strongly conflicting or unreliable information on very important covariates (e.g. gender) or on treatment information. For example, observations are discarded if their individual information indicates that they have participated in the programme, but they are administered by a job centre that does not participate in the programme at all. Even though the cleaning process leads to a loss of observations, the analysis can still rely on 63,707 treatment and 103,644 control observations.

Following my argument outlined in section 4.2.1, I use two dependent variables. To measure the quantity of reemployment I use a simple 0/1 indicator that is equal to one if someone is regularly employed and zero otherwise. Moreover, the dataset contains information on absolute daily wages, which are used as proxy for job quality. In the estimations for wages, I follow the approach by Benmarker, Nordström, Skans, and Vikman (2013) who only rely on the wage information for persons who are actually employed (the implications of this measurement are discussed in section 4.3.4). Both variables are recorded in monthly intervals beginning from individual participation.<sup>3</sup> Additionally, the dataset consists of a rich set of covariates. Generally speaking, all variables that affect programme participation and the outcome should be included in the analysis. Given that the literature offers no clear-cut criteria on which variables (not) to use, the selection of covariates is mainly based on the experience of previous ALMP evaluations as well as theoretical considerations. To begin with, I use information on sociodemographic characteristics and household composition, namely age, sex, education, family status, German/non-German citizenship, health, size of the household, number of own children and total dependent children in the household, as well as the number of adult and unemployed persons. Moreover, I include information on lone parenthood. In addition to this standard information, the dataset contains two additional groups of variables which are particularly valuable for the matching analysis. First, several special characteristics are recorded by the employment agencies. These include the subjective assessment of future employment prospects by the counsellors from the employment agency, the reason for the end of the last spell of social assistance receipt, and whether someone has ever dropped out of an ALMP programme due to inappropriate behaviour or has finished an ALMP programme unsuccessfully. The latter two variables are of particular interest because they can be seen as proxies for usually unobservable variables such as motivation or behavioural characteristics. Second, I can rely on very detailed information on past employment history. This includes some characteristics of the last job, namely whether someone has worked as white-collar or blue-collar worker, the degree of complexity and the industrial sector. Moreover, I have extracted information on all spells of regular employment, subsidized employment, unemployment, and programme participation. I have calculated the number of months in the respective employment status within the first, second to fourth and fifth to seventh year before the official programme start. Additionally, I include a 0/1 indicator which states whether someone has ever been regularly employed during the last seven years. I refrain from the approach of Biewen et al. (2014), who match exactly on employment sequences of binary variables which indicate whether someone has been employed in a

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<sup>3</sup> For programme participants, their individual start of the programme is the start of the measurement of the dependent variables. For non-participants, there is no actual start of non-participation. Therefore, a hypothetical programme start has been defined. It is equal to the start date of the programme plus a random variable which mirrors the temporal pattern of the inflow into the programme of participants between July 2010 and June 2011.

certain year, because the variance within these sequences is too low for my sample. Finally, I include some additional regional information from another administrative source on the local labour market situation at the job centre level. Since treatment and control observations both come from participating job centres, differences in regional variables only result from different distributions of participants and non-participants between job centres and are therefore rather small. Hence, I limit myself to the regional employment and unemployment rate as well as GDP per capita. All ordinal variables are split into dummy variables to avoid functional form misspecification in the propensity-score estimation.

Table A.4.1 gives the number of observations and the mean for both dependent variables and each covariate, separately for treatment and control observations. Checking for ex-ante covariate differences is crucial for the matching analysis, because strong differences may result in thin common support. This implies that (depending on the matching algorithm applied) either many observations will be discarded from the analysis, or few observations receive very high weights and dominate the estimator (Imbens, 2015). Therefore, it contributes to the reliability and robustness of the analysis that covariate differences are very limited (restricting the maximum weight that is given to one observation does not change the results here, see section 4.3.5). Moreover, it is worth mentioning that existing differences do not point to strong and systematic positive or negative selection, even though there is a certain tendency for positive selection. On the one hand, participants are slightly higher educated and their labour market history is somewhat more favourable. On the other hand, the subjective assessment is worse and the incidence of lone parents is higher. Together with the high number of observations that is available, this creates very favourable conditions for the matching analysis. The raw data for wages and employment probabilities show limited differences, too, whereas participants have slightly lower integration rates, but higher wages. However, this difference cannot be interpreted as a causal effect. The picture may change if observable characteristics are conditioned on.

### *2.3.3 Identification strategy*

Following the potential outcome framework (Rosenbaum and Rubin, 1983), the treatment effect on the treated is equal to the outcome they have realized by participating in the programme, and the one they would have realized without participation. Given that the latter cannot be observed, it has to be estimated using a control group. Therefore, the treatment effect estimation is based on the comparison of participating and control observations. To begin with, I follow the most common approach in programme evaluation and apply a matching analysis. I use all variables described in section 4.3.2 as covariates. To decide about the details of the matching analysis, I rely on recent insights from the microeconomic treatment effect estimation literature on the finite sample properties and performance of different algorithms and approaches (for recent and sophisticated

examples see Iacus et al., 2011; Abadie and Imbens, 2006; 2011; Hainmueller, 2011; Huber et al., 2014). Based on Monte-Carlo-Simulations, these and other studies have created some guidance on the performance of the estimators. No estimator dominates all the other ones, but there seem to be a couple of reasonable approaches. I decide to start with radius matching with regression adjustment as suggested by Huber et al. (2014). I follow some of the advice from their companion paper (Huber et al., 2013) when selecting tuning parameters. Therefore, I start with radius matching with linear bias correction, and the radius is defined as three times the maximum distance in propensity scores that would have been reached with one-to-one-matching. In the initial estimation, I do not restrict the maximum weight that is given to one particular observation, because I am confident that the favourable conditions will not lead to high weights for some observations, anyway. As expected due to the limited differences in pre-matched covariates, the standardized bias after matching is very low, with only one covariate showing a standardized bias of slightly more than five percent (see Graph A.4.1). Nevertheless, these still somewhat arbitrary decisions should be subject to robustness checks. To begin with, I restrict the maximum weight that is given to one observation to four percent of total weights. This trimming procedure performs best in the Monte-Carlo Simulations of Huber et al. (2013). Afterwards, I replace radius matching with regression adjusted mahalanobis matching as outlined by Abadie and Imbens (2006; 2011). Finally, I use inverse probability weighting with regression adjustment as alternative approach.

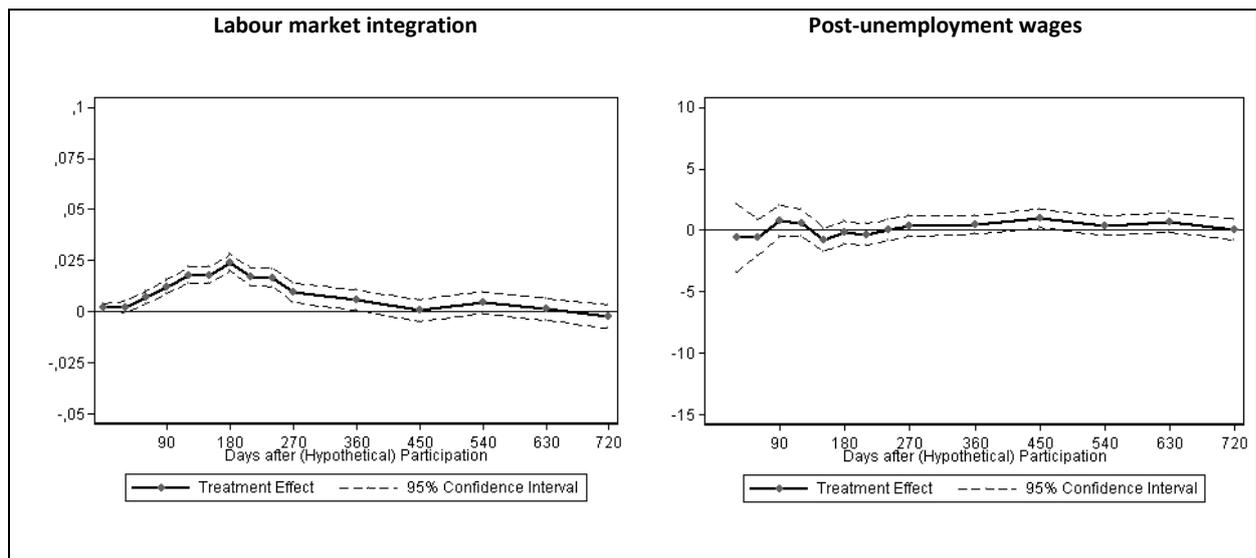
Even though the results will show that the matching analyses are very robust to changes in the algorithms and tuning parameters, there may be concerns about systematic bias due to violations of the identifying assumptions. The estimates can only be interpreted causally if the conditional independence assumption (CIA) and stable unit treatment value assumption (SUTVA) hold (see e.g. Keele, 2015). The conditional independence assumption states that potential outcomes are (conditional on observable variables) independent of treatment status. This means that there must be no unobserved differences between treatment and control group left, which affects both the outcome and treatment assignment probability. In the given context, there is no clear-cut reason which points to endogenous selection. The treatment group is rather broadly defined and observable covariates do not point to strong selectivity. Moreover, the credibility of the CIA is enhanced by the exceptionally good quality of the data. Even though potentially relevant variables such as career preferences or motivation are not observable, it seems reasonable to argue that these have been absorbed by past employment outcomes or the information on behaviour in previous ALMP programmes. Nevertheless, I conduct a placebo-test on endogenous selection (Heckman and Hotz, 1989; Imbens, 2015; Imbens and Rubin, 2015) to further substantiate the credibility of the CIA. This test is based on a matching estimation, in which a variable that is connected to the actual outcome variable, but unaffected by the treatment, is defined as the (placebo-) outcome. If the matching analysis reveals a significant effect on

this pseudo-outcome, endogenous selection is likely to be present. In ALMP evaluations, past employment outcomes are natural candidates for the placebo-outcomes. Since I have used information on employment biographies of the past seven years (which should then obviously not be used as placebos), I define the number of months in employment eight and nine years before the start of the programme as placebo-outcomes. For sake of robustness, the placebo-test is conducted twice, once with radius and once with mahalanobis matching.

Finally, whether the stable unit treatment value assumption (SUTVA) holds is rather ambiguous from a theoretical point of view. As in any other ALMP programme, it is possible that treated workers simply substitute untreated ones, e.g. because they are better equipped for job interviews (Imbens and Wooldridge, 2009). Moreover, the execution of the programme might lead to a redistribution of resources to the disadvantage of untreated workers in the same jobcentre, because participating job centres do not receive additional funding for the programme. Due to budget constraints, this is likely to result in reduction of time and effort spent for non-participants, which could worsen their employment prospects. Taken together, both factors may lead to negative effects on non-participants, which would bias the matching estimation upwards. Such interferences between units have recently been a very active field of research in almost all disciplines that apply statistical methods. The gold standard for their estimation that has recently occurred is what Sinclair et al. (2012) refer to as multilevel experiments. In these multilevel-experiments, there are treated and untreated clusters (e.g. regions), and treated and untreated observations within treated clusters. Interference is then estimated by (regression-adjusted) difference-in-means comparisons between untreated observations from treated cluster, and untreated observations from untreated cluster (for applications from different theoretical contexts see Nickerson (2008), Ichino and SchündelIn (2012), VanderWeele et al. (2012), or Crépon et al. (2013)). A similar idea will be applied here: I observe non-participants from participating as well as non-participating job centres. The test for interference between units is therefore based on the comparison of the outcomes of these two groups. However, unlike in the aforementioned applications, it has to be considered that regional participation is not randomized. Therefore, raw differences in employment outcomes may also stem from regional selection bias, i.e. differences in regional labour market conditions or in the socio-demographic composition of unemployed worker. Due to the comparatively low number of observations at the upper level (the jobcentres), differences in regional characteristics will be difficult to balance in a matching analysis. Therefore, I combine matching with difference-in-differences estimation, i.e. DiD-estimation in a matched sample (semi-parametric DiD, Abadie, 2005). To this end, I rely on the two samples of workers who have become unemployed between one and two years before the start of the programme (i.e. between July 2008 and June 2009). Untreated workers from participating job centres are defined as (pseudo-) treatment units, non-participants from non-participating job centres function as control

units. One point in time within the period before the start of the programme (i.e. July 2008 to June 2010) is defined as  $t_0$ , whereas one point in time after the start of the programme (i.e. between July 2010 and June 2012) is defined as  $t_1$ . The time difference between both points in time is two years (e.g. January 2010 and January 2012). For sake of robustness, I conduct this analysis twice for different points in time and again once with mahalanobis and once with radius matching.

#### 4.3.4 Results and discussion



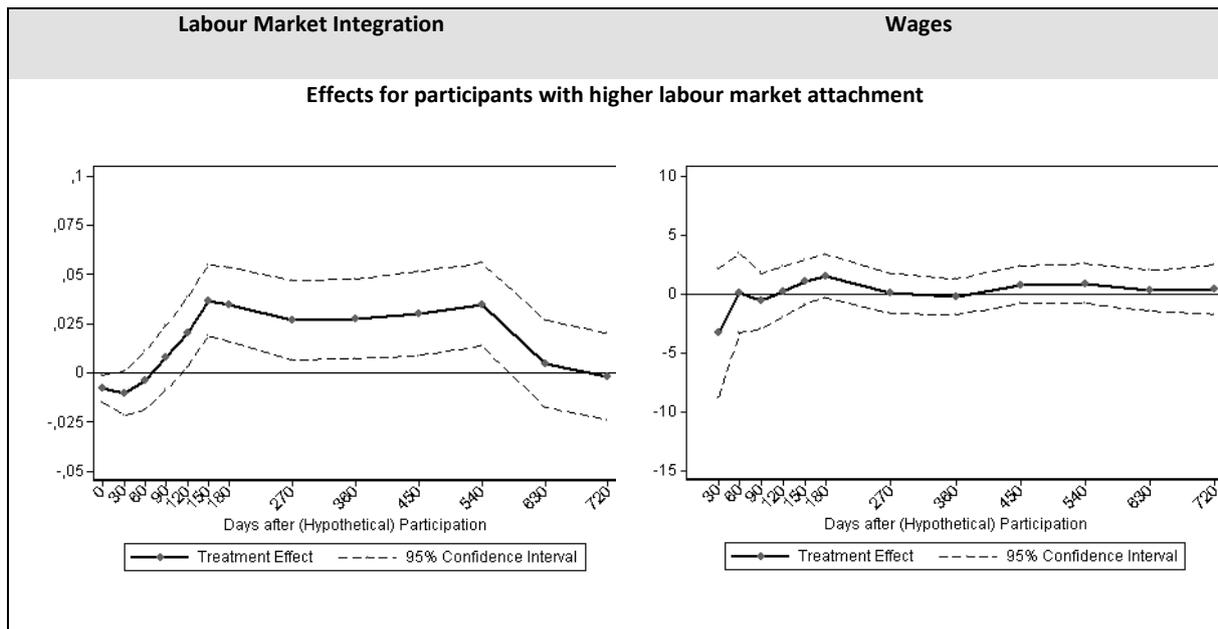
**Graph 4.1.** Treatment effects based on radius matching with regression adjustment. Thin lines represent confidence intervals, thick lines are the point estimates. The left graph shows treatment effects with regard to labour market reintegration in percentage points, the right graph shows treatment effects on absolute daily wages in €. Source: my own calculations based on IEB.

The effect on programme participation is positive from the very beginning and starts to accelerate towards the (scheduled) end of the counselling and monitoring scheme. It reaches up to 2.4 percentage points. The corresponding estimated potential outcome means of the treatment and control group are 9.4 and 7.0 percent which translates into a relative effect of 35 percent. The treatment effect goes down after 180 days and reaches zero towards the end of the observation period. As stated in section 4.3.1, the effect after 180 days is (partly) a combined effect of *Activating Citizen's* and the subsequent public employment scheme (PES). Given that this PES displays remarkably negative employment effects (IAW, ISG, 2015), the effect of the counselling and monitoring scheme can be assumed to be positive in the long-run. In any case, the effect on cumulated time in employment is positive at the end of the observation period even for the combined effect, because the displayed effects are net integration rates. It can be concluded that the programme has fulfilled its purpose of fostering labour market integration of participants. Comparing these results with the ones reported from previous research, this appears to be a rather strong effect, but it is still close to e.g. the ones reported by Graversen and Van Ours (2008). The fact that the positive effect appears to be somewhat stronger than the one of many other programmes may be because this programme itself is a rather

effective one, or because the circumstances have been rather favourable. For example, the labour market conditions in Germany were quite good at that time. It could be argued that the effect of supply-side programmes would have been weaker in times with high structural unemployment, when vacancies are simply not there, which cannot be solved by counselling services. However, the meta-analysis of Kluve (2010) suggests that it is programme effectiveness as such rather than the circumstances that matter.

The decisive question now is whether this acceleration of labour market integration is paid for with worse job quality. The results do clearly not support this argument. The estimated effects on wages of those who found employment are almost zero and clearly insignificant for all points in time. Even though the number of observations is lower than the one in the estimations for labour market integration, this does clearly not reflect a lack of statistical power as indicated by the very narrow confidence intervals (e.g. after 180 days, the number of integrated workers for whom reliable wage information is available still amounts to 7,149 observations). Given that the average daily wages amount to about 36€ (once again depending on the point in time; note that not all persons are full-time employed and these are wages per calendar day, not working day), even the upper or lower bound of the confidence interval would translate into negligibly small relative effects. The conclusion that there is no adverse effect on job quality is further substantiated by the argument outlined by Benmarker et al. (2013), who point out that in case of a positive effect on labour market integration, the estimates for wages of those who found employment represent a lower bound. The underlying assumption of this argument is that even if the CIA holds, we would expect that there are (possibly unobservable) differences within treatment and control group with regard to labour market attachment. Moreover, we would expect that persons with more favourable characteristics are integrated first. Therefore, a higher share of integrated workers within the treatment group implies that more persons with less favourable unobservable characteristics are included in the wage effect estimations than in the control group. This may result (if anything) in negatively biased results. Even though this possible bias is likely to be small in presence of high-quality data, this further supports the conclusion that there is no adverse effect on job quality.

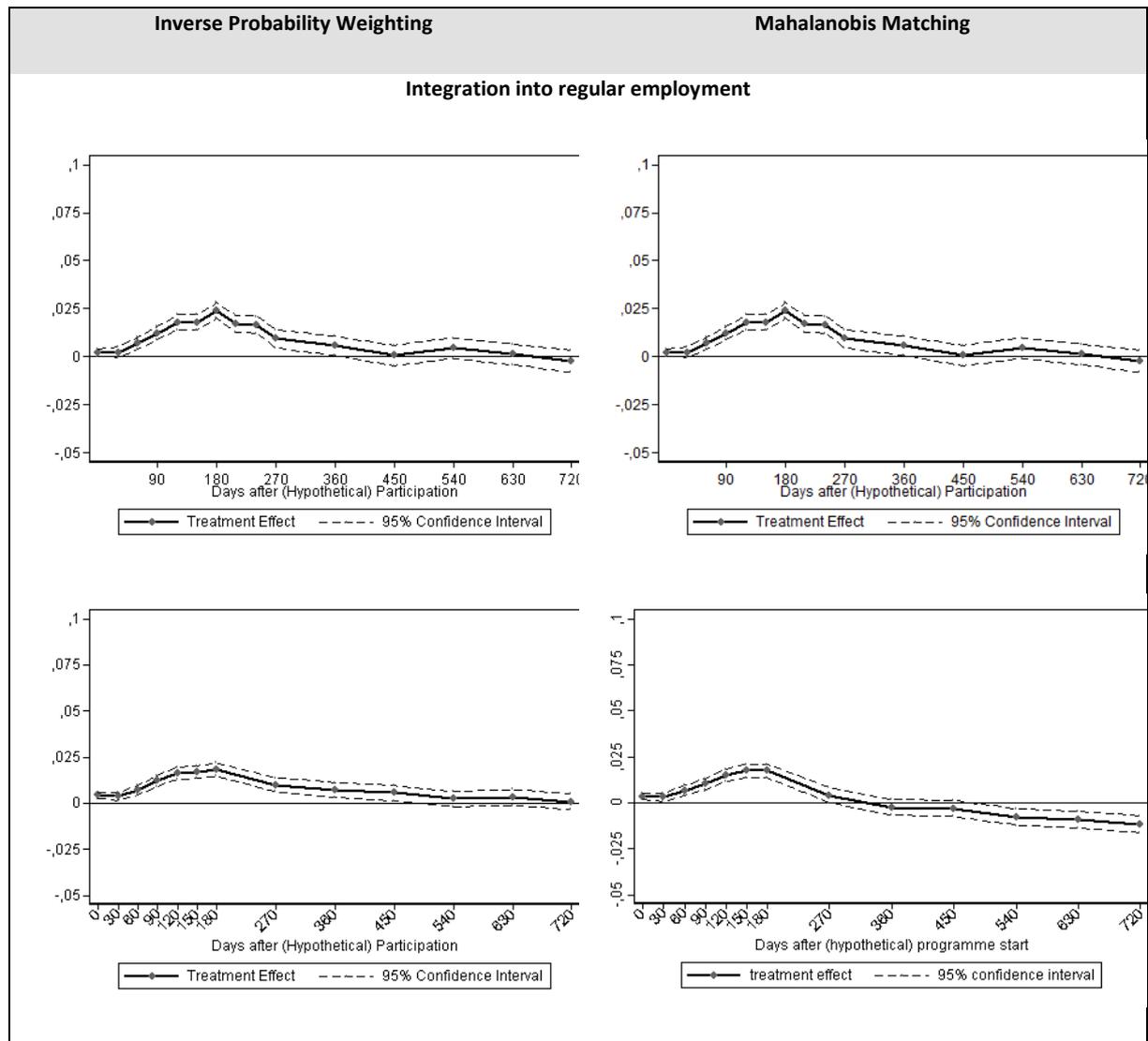
### 2.3.5 Effect heterogeneity and robustness and specification analyses



**Graph 4.2.** Treatment Effects on workers who have been employed in at least 12 months within the last four years. Source: Own calculations based on IEB.

Even though the quality-quantity trade-off was expected to be weaker, it is important to check the robustness and reliability of these somewhat surprising results both in methodological as well as substantive terms. From a substantive point of view, it may be argued that the absence of a quality-quantity trade-off is due to the target group. Even though it has been rather broadly defined, the descriptive statistics show that participants are characterized by rather low labour market attachment. In fact, almost half of the participants (and the control group) have not been regularly employed for the last seven years. It seems reasonable to argue that the outlined arguments that contribute to a quality-quantity trade-off rather apply for workers with higher labour market attachment, because after periods of unemployment of many years, it is questionable whether more time for job-search is still beneficial. Therefore, I repeat the analysis but limit the sample to participants who have been employed in at least 12 months within the last four years. The results of this estimation are summarized in Graph 4.2. They reveal that the effect is not different for this subsample. Compared to the whole sample, the effect on labour market integration is somewhat weaker in the beginning but stronger at later points in time. The only remarkable difference is that absolute integration rates (not shown) are higher in both groups (21.0 and 17.5 percent after 180 days), which is clearly consistent with the theoretical expectations. The effect on wages is again close to zero and insignificant. Given that the outlined distinction is somewhat arbitrary, I have also tried other sub-sample constructions such as the restriction to persons who have ever been employed within the last seven years (not shown, available upon request), but the results again rarely change. It is worth mentioning that the same holds true for other sociodemographic characteristics which are typical suspects for effect heterogeneity, namely age, gender, or region of residence (East vs. West Germany). Apparently, the

programme effect does not vary systematically with indicators of employment history or other sociodemographic characteristics.



**Graph 4.3.** Treatment Effects based on different matching/weighting estimations with regression adjustment. The upper left panel show the results from the original analysis again (as reference category). The upper right corner replicates this analysis with the matching procedure outlined in section 4.3.3. The lower part of the graph shows the results for inverse probability weighting (left) and mahalanobis matching (right) with regression adjustment. Source: own calculations based on IEB.

From a methodological point of view, it still has to be investigated whether the results are robust to methodological choices by the researcher, or whether all these matching estimations are systematically biased by endogenous selection or substitution effects. To test the robustness of the results, I have conducted the analysis with alternative estimation approaches as outlined in section 4.3.3. Graph 4.3 summarizes these results. The upper left panel shows the results from the original analysis again (to allow for comparisons via a quick glance). The upper right corner replicates this analysis with the restriction on the maximum weight given to one observation. The lower part of the graph shows the results for inverse probability weighting (left) and mahalanobis matching (right) with regression adjustment. Once again, differences in the estimated effects are very limited indicating that

the results are not sensitive to methodological choices. Finally, the specification analyses neither point to endogenous selection nor substitution effects. As Graph A.4.2 shows, the estimated effects on both placebo-outcomes (months in employment eight and nine years before programme start) is close to zero and insignificant for both matching algorithms. It is worth mentioning that this is a remarkable finding given the high statistical power (exceptionally high number of observations) of this test. This implies that there is no indication for endogenous selection which confirms the claim that conditional independence is a reasonable assumption in presence of such high quality data. Similarly, the results shown in Graph A.4.3 refute concerns about substitution effects. It displays estimated substitution effects for different points in time after programme start (e.g. the coefficient at 90 days after programme start represents the effect when 90 days after programme start is  $t_1$ , and the point in time two years before that is  $t_0$ ). For both estimations, the results are almost exactly zero for all points in time during the counselling and monitoring scheme. They get marginally significant towards the end of the observation period for mahalanobis matching but are very small in magnitude. In any case, this (if any) very small degree of interference does in no way affect the results from the matching analysis in substantive terms.

#### *2.4 Summary and conclusion*

This paper was motivated by the question of whether activation policies face a quality-quantity trade-off in their effect on employment outcomes of targeted workers. It has been suspected that quicker, activation-induced labour market integration is paid for with worse job quality. Despite a huge and growing body of policy and programme evaluations in this field, the effect of activation policies on job quality has been considered only recently and remains an important gap in the literature. The few existing studies have concentrated on sanctions, and – in line with the concerns outlined in the public and social policy literature – revealed remarkably negative effects on job quality. However, it still is an open question whether the quality-quantity trade-off is also present for counselling and monitoring schemes (or other activation policies) which combine pressuring with supportive components. I have contributed to this discussion by analysing the effects of a counselling and monitoring scheme from Germany on labour market integration and post-unemployment wages. My results do not confirm the concern about a quality-quantity trade-off. The programme exerts a strongly positive effect on employment probability which reaches 35 percent towards the end of the (scheduled) programme duration. At the same time, there is no effect on wages of those who have been successfully integrated into the labour market. These findings are robust to methodological changes (namely different matching algorithms or trimming procedures) and do not vary systematically with sociodemographic characteristics such as age, gender, region of residence or employment history. Moreover, specification analyses refute concerns about biases in the matching estimations due to endogenous selection and/or substitution effects.

What are the implications of these results in the broader theoretical debate on activation policies? Taken together, the results outlined here and the ones concerning sanctions and public workfare employment reveal an interesting puzzle. On the one hand, the negative impact of sanctions on job quality confirms the concern that quicker, activation-induced labour market reintegration is paid for with worse job quality. On the other hand, the results outlined here and the ones presented by Benmarker et al. (2013) on the effects of public workfare employment suggest that the negative impact on job quality can be avoided if the right balance between pressuring and supportive components can be found. This has two implications for future research and policy-making: First, it reveals that previous categorizations of activation policies have been too broad. Distinguishing between “emancipating” activation which focusses on supporting unemployed workers (e.g. via long training programmes) and “repressive” (Vlandas, 2013, p. 5) activation that forces them into the labour market by all means ignores the diversity of activation programmes within these two categories. Therefore, it should be an ongoing task for future research to develop more fine-grained typologies of activation policies. Bonoli (2010) has made a first promising step into this direction. Second and relatedly, the question of which components or combinations of activation policies exactly may contribute to quicker labour market integration without hurting job quality needs further exploration. By analysing the effect of different activation policies on quantity and quality of labour market integration, empirical research can constitute the basis for well-informed public policy-making that succeeds to reduce unemployment at the same time circumventing the danger of pushing unemployed worker into a low-wage trap. Only by relying on such an empirical basis, policy-makers cannot only decide about which policies (not) to implement, but continuously improve these policies (Besharov, 2009). In this regard, a lot of work in this area remains to be done.

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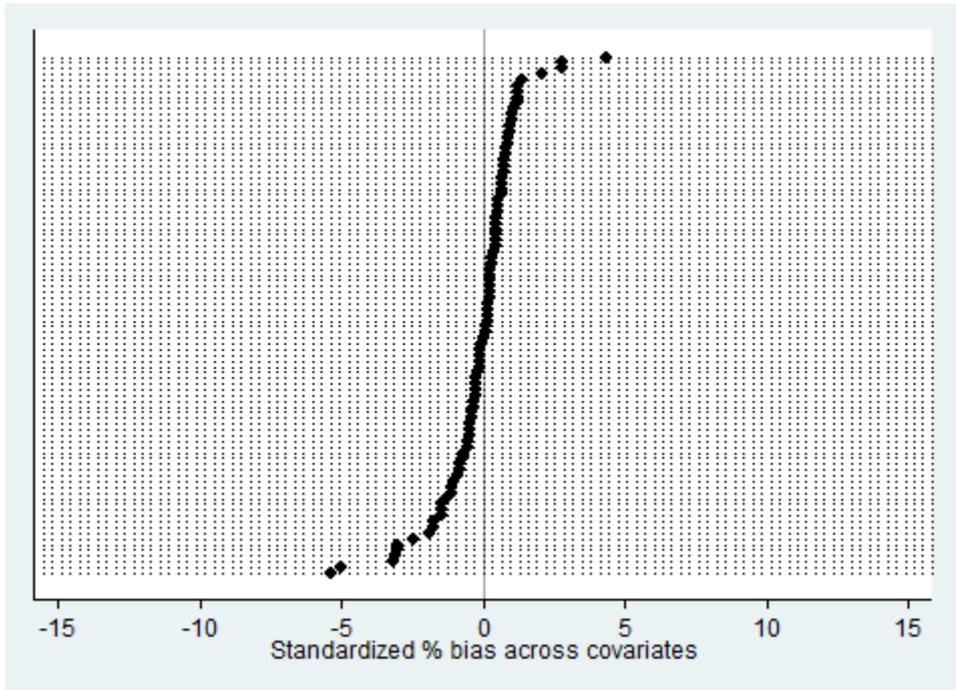
## Appendix

Variable	Participants		Non-Participants	
	N	Mean	N	Mean
<b>Sociodemographics</b>				
Employment probability 180 days after programme start	63878	0.10	103641	0.11
Daily wage 180 days after programme start (if employed)	2332	38.23	4817	36.94
Gender: female	63878	0.45	103641	0.46
No graduate	63877	0.10	103617	0.14
Intermediate school certificate, no professional qualification	63877	0.24	103617	0.29
High school degree or vocational training	63877	0.58	103617	0.47
High school degree and vocational training	63877	0.04	103617	0.05
Subject-linked university degree	63877	0.02	103617	0.02
University degree	63877	0.02	103617	0.03
Age group < 25 years	63878	0.04	103641	0.14
Age group 25 until 30 years	63878	0.13	103641	0.14
Age group 30 until 35 years	63878	0.13	103641	0.13
Age group 35 until 40 years	63878	0.14	103641	0.11
Age group 40 until 45 years	63878	0.18	103641	0.12
Age group 45 until 50 years	63878	0.20	103641	0.13
Age group 50 until 58 years	63878	0.15	103641	0.18
Age group > 58 years	63878	0.03	103641	0.05
Family Status: living alone	63878	0.45	103641	0.45
Family Status: married/living with a partner	63878	0.33	103641	0.34
Family Status: divorced/widowed/living separately	63878	0.23	103641	0.21
Family Status: missing	63878	0.00	103641	0.00
Citizenship: German	63878	0.90	103641	0.81
Citizenship: other than German	63878	0.10	103641	0.19
Citizenship: missing	63878	0.00	103641	0.00
Health problems: yes	63870	0.25	103520	0.22
<b>Household information</b>				
Child < 3 years: no	63878	0.58	103641	0.50
Child < 3 years: yes	63878	0.03	103641	0.04
Child < 3 years: missing	63878	0.39	103641	0.46
Child between 3 and 6 years: no	63878	0.58	103641	0.50
Child between 3 and 6 years: yes	63878	0.04	103641	0.04
Child between 3 and 6 years: missing	63878	0.39	103641	0.46
Child between 6 and 10 years: no	63878	0.54	103641	0.47
Child between 6 and 10 years: yes	63878	0.08	103641	0.07
Child between 6 and 10 years: missing	63878	0.39	103641	0.46
Child between 10 and 15 years: no	63878	0.52	103641	0.46
Child between 10 and 15 years: yes	63878	0.09	103641	0.08
Child between 10 and 15 years: missing	63878	0.39	103641	0.46
Role within household: Main person	63878	0.86	103641	0.79
Role of within household: partner	63878	0.13	103641	0.15
Role of within household: minor, unmarried child / unmarried adult	63878	0.01	103641	0.06

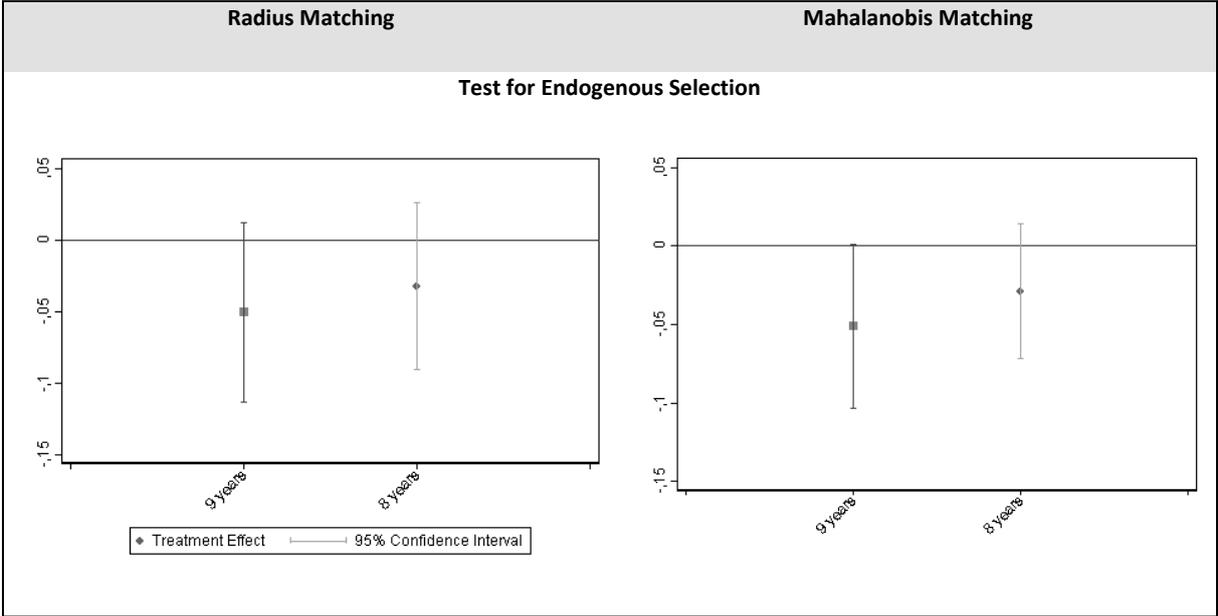
Role of within household: missing	63878	0.00	103641	0.00
Number of persons in BG: 1	63878	0.48	103641	0.46
Number of persons in BG: 2	63878	0.23	103641	0.23
Number of persons in BG: 3	63878	0.14	103641	0.15
Number of persons in BG: 4	63878	0.09	103641	0.10
Number of persons in BG: 5 or more	63878	0.06	103641	0.07
Number of persons in BG: missing	63878	0.00	103641	0.00
Number of persons of age able to work: 1	63878	0.62	103641	0.58
Number of persons of age able to work: 2	63878	0.31	103641	0.34
Number of persons of age able to work: > 2	63878	0.06	103641	0.08
Number of persons of age able to work: missing	63878	0.00	103641	0.00
Number of persons under age able to work: 0	63878	0.91	103641	0.91
Number of persons under age able to work: 1	63878	0.08	103641	0.08
Number of persons under age able to work: more than 1	63878	0.01	103641	0.01
Number of persons under age able to work: missing	63878	0.00	103641	0.00
Number of unemployed persons: 0	63878	0.98	103641	0.97
Number of unemployed persons: 1	63878	0.02	103641	0.03
Number of unemployed persons: > 1	63878	0.00	103641	0.00
Number of persons above age limit: 0	63878	1.00	103641	0.99
Number of persons above age limit: 1 or more	63878	0.00	103641	0.01
Number of persons above age limit: missing	63878	0.00	103641	0.00
Lone parent: no	63878	0.83	103641	0.86
Lone parent: yes	63878	0.17	103641	0.14
<b>Additional administrative information</b>				
Profile: Integrated	63878	0.07	103641	0.07
Profile: Market, activation, promotion	63878	0.16	103641	0.22
Profile: About to develop	63878	0.35	103641	0.26
Profile: About to be stable	63878	0.18	103641	0.14
Profile: Support necessary	63878	0.15	103641	0.15
Profile: missing	63878	0.09	103641	0.14
Job returner: no	63878	0.95	103641	0.96
Job returner: yes	63878	0.05	103641	0.03
Job returner: missing	63878	0.00	103641	0.01
Responsible administrative body: ARGE/gE [s.o., green area]	63574	0.93	103423	0.93
Responsible administrative body: gT/gAw	63574	0.07	103423	0.07
Responsible administrative body: zkT	63574	0.00	103423	0.00
Reason for end of receiving social assistance benefits: start of work	63878	0.07	103641	0.07
Reason for end of receiving social assistance benefits: relocation	63878	0.11	103641	0.13
Reason for end of receiving social assistance benefits: omission of employment	63878	0.13	103641	0.12
Reason for end of receiving social assistance benefits: other reasons	63878	0.16	103641	0.18
Reason for end of receiving social assistance benefits: missing	63878	0.53	103641	0.50
Special status	63878	0.15	103641	0.25
Relieved receiving of benefit: children	63878	0.02	103641	0.02
Relieved receiving of benefit: job returner	63878	0.05	103641	0.02

Relieved receiving of benefit: none	63878	0.85	103641	0.75
Relieved receiving of benefit: missing	63878	0.09	103641	0.21
Dropout of measure due to inappropriate behaviour	63878	0.03	103641	0.02
Dropout of measure due to other reasons	63878	0.04	103641	0.03
Measure not completed successfully	63878	0.05	103641	0.03
<b>Employment History</b>				
<i>Information on last job</i>				
Blue-collar worker	63878	0.11	103641	0.12
White-collar Worker	63878	0.03	103641	0.03
profession: missing	63878	0.86	103641	0.85
Semi-skilled worker	63878	0.14	103641	0.16
Professionally oriented activities	63878	0.69	103641	0.64
Complex specialized activities	63878	0.07	103641	0.07
Highly complex activities	63878	0.08	103641	0.08
Complexity: missing	63878	0.02	103641	0.05
Manufacturing/ processing trade / agriculture	63878	0.41	103641	0.36
Service sector or others	63878	0.59	103641	0.64
<i>Indicators of past employment history</i>				
Number of months employed: 1 years before 2010	63878	0.36	103641	0.62
Number of months employed: 2-4 years before 2010	63878	2.53	103641	3.55
Number of months employed: 5-7 years before 2010	63878	4.13	103641	4.70
Number of months unemployed: 1 years before 2010	63878	9.47	103641	8.65
Number of months unemployed: 2-4 years before 2010	63878	25.34	103641	21.37
Number of months unemployed: 5-7 years before 2010	63878	14.93	103641	11.88
Number of months seeking work: 1 years before 2010	63878	0.83	103641	0.49
Number of months seeking work: 2-4 years before 2010	63878	1.86	103641	1.20
Number of months seeking work: 5-7 years before 2010	63878	1.28	103641	0.92
Number of months program: 1 years before 2010	63878	0.53	103641	0.66
Number of months program: 2-4 years before 2010	63878	1.87	103641	2.28
Number of months program: 5-7 years before 2010	63878	6.80	103641	4.76
Employed at all in the last 7 years before 2010	63878	0.44	103641	0.45
<b>Regional information</b>				
Regional unemployment rate (level of job centres)	62722	10.05	102493	9.86
Regional employment rate (level of job centres)	62722	50.32	102493	49.53
GDP per capita of employed person (level of job centres)	63149	54149.53	101594	59327.68

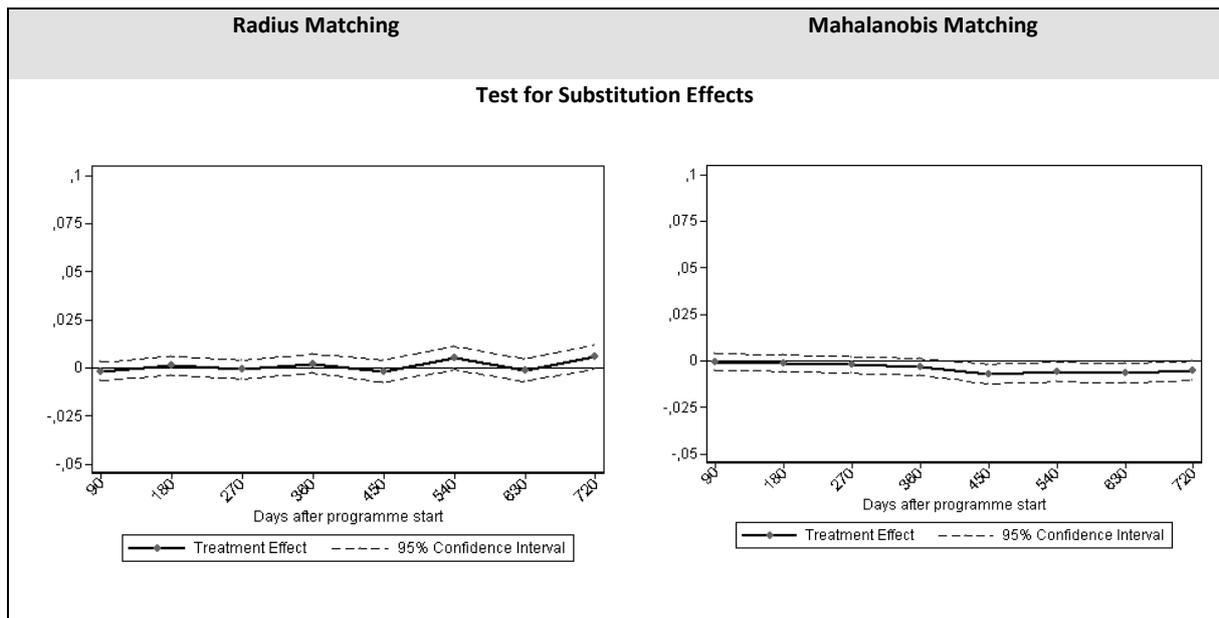
**Table A.4.1.** Summary of descriptive statistics for participants and non-participants. Source: own calculations.



**Graph A.4.1.** Standardized bias of the radius-matching estimation, 180 days after programme start. Source: own calculations, based on IEB.



**Graph A.4.2.** Estimated (pseudo-) treatment effects based radius-matching (left) and mahalanobis-matching (right) with regression adjustment. Source: own calculations based on IEB.



**Graph A.4.3.** Estimated substitution effects based on semi-parametric difference-in-differences estimation with radius-matching (left) and mahalanobis-matching (right). The points in time refer to the definition of the point  $t_1$ ,  $t_0$  is the point in time one year ago. Source: own calculations based on IEB.

## **Urheberrechtliche Erklärung**

Hiermit versichere ich, dass ich die vorliegende Arbeit selbstständig verfasst und keine als die angegebenen Quellen und Hilfsmittel verwendet habe. Bei Kooperation mit anderen Wissenschaftlern habe ich die Art der Zusammenarbeit am Ende des ersten Kapitels deutlich gemacht. Alle Stellen, die ich wörtlich oder sinngemäß aus anderen Werken entnommen habe, habe ich unter Angabe der Quellen als solche kenntlich gemacht.

A handwritten signature in black ink, consisting of the name 'Lukas' followed by a stylized, cursive monogram.

Lukas Fervers

Tübingen, den 18.10.2017