Schmollers Jahrbuch 129 (2009), 597 – 636
Duncker & Humblot, Berlin

Who is Targeted by One-Euro-Jobs? A Selectivity Analysis

By Katrin Hohmeyer and Eva Kopf*

Abstract

Major reforms of the unemployment benefit system were implemented in Germany in 2005. One controversial element of these reforms is the activation of means-tested benefit recipients by a workfare programme, so-called One-Euro-Jobs. Politically and numerically, One-Euro-Jobs are the most important programme for means-tested benefit recipients with more than 600,000 benefit recipients entering the programme per year. Using a sample from early 2005, this study investigates the selection of means-tested unemployment benefit recipients into One-Euro-Jobs in their introduction period. In particular, the different participation chances for men and women as well as for eastern and western Germans are analysed. While women have a lower probability of participating if they have a child under the age of three, there is no such difference to be found for men. We also find that young adults under 25 are more likely to begin a One-Euro-Job than other age groups. Moreover, special target groups such as individuals with a migration background are not promoted with One-Euro-Jobs. In fact, a concentration on defined target groups cannot be observed. To analyse the sizable differences in the participation probabilities of women in eastern and western Germany a Blinder-Oaxaca decomposition of effects is applied. It emerges that the differences can be traced back to a large extent to characteristics such as qualification level and employment history and to the availability of child care facilities.

Zusammenfassung

Ein-Euro-Jobs stehen seit Einführung des SGB II im Jahre 2005 als ein Instrument zur Verfügung, mit dem Arbeitslosengeld II-Bezieher aktiviert werden sollen. Sie wurden in großem Umfang eingeführt, bereits im ersten Jahr gab es mehr als 600.000 Zugänge. Dieses Papier untersucht die Selektion in Ein-Euro-Jobs für eine Stichprobe von arbeitslos gemeldeten Arbeitslosengeld II-Empfängern im Frühjahr 2005 mit der Hilfe von binären Probit-Modellen. Um die Unterschiede in den Teilnahmewahrscheinlichkeiten von ost- und westdeutschen Frauen zu analysieren, wird eine Blinder-Oaxaca-Zerlegung angewendet. Arbeitslose unter 25 Jahren sind eine Hauptzielgruppe von Ein-

* We are grateful to Sarah Bernhard, Katja Wolf, Joachim Wolff, Cordula Zabel and two anonymous referees for their very helpful comments and suggestions. The usual disclaimer applies.

Euro-Jobs und weisen eine höhere Teilnahmewahrscheinlichkeit auf als andere Altersgruppen. Andere potentielle Zielgruppen von Ein-Euro-Jobs wie Personen mit Migrationshintergrund werden hingegen nicht verstärkt gefördert. Es zeigt sich, dass die unterschiedliche Teilnahmewahrscheinlichkeit von Frauen in Ost- und Westdeutschland zum Teil durch Unterschiede in den Eigenschaften – wie Qualifikation und Erwerbshistorie – der Frauen in beiden Regionen erklärt werden kann, zum Teil aber auch durch Unterschiede in der Verfügbarkeit von Kindertagesstättenplätzen.

JEL Classification: D78, J16, J68

Received: March 14, 2008
Accepted April 8, 2009

1. Introduction

In recent years major labour market reforms (the so-called Hartz reforms) have been introduced in Germany with the aim of reducing the persistent high unemployment rates.[1] One of the reforms was implemented with the introduction of the Social Code II. A new means-tested benefit, unemployment benefit II (UB II), was introduced in 2005 replacing the unemployment and social assistance for employable people in needy households. In contrast to the former system, the Social Code II emphasises activation policies. As one core means of activating unemployed people, a workfare programme, called One-Euro-Jobs, was introduced in 2005. These jobs have been widely used since then with more than 600,000 new participants per year. In numerical terms, it is therefore the most important active labour market programme for recipients of means-tested benefit. Furthermore, it is probably also the most well-known programme as it is discussed controversially in the political and public sphere.

As the programme is intended to be used subordinate to other active labour market programmes (if nothing else helps or is available), especially hard-to-place unemployed people or those who are distant from the labour market should be promoted with this programme. One-Euro-Jobs should enhance employability as well as reemployment chances. Another possible application of this programme is its usage as a test of willingness-to-work, where no special target group is defined and unemployed individuals with rather good labour market chances would also be likely to participate. Furthermore, there could be incentives at work for case managers to place unemployed with comparatively good chances to the programme (cream skimming). Klemm et al. (2007) suggest that both creaming processes – because of better achievements of case workers – and dumping processes – because of the availability of areas for persons without labour market prospects – could be at work in the selection

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

of participants. This paper investigates the selection into One-Euro-Jobs and how programme goals are reflected in the programme assignment.

Policy makers have set high expectations in One-Euro Jobs, which are intended to serve a large variety of aims, such as social integration, labour market integration, test of employability or willingness to work, the workfare idea or also the maintenance of infrastructure (Bellmann et al., 2006). Moreover, unintended effects, such as substitution effects or deadweight losses should be minimised. But the realisation of intended aims of One-Euro-Jobs depends on the one hand on the establishments that offer One-Euro-Jobs and on the other hand on the selection of participants themselves.

Clearly, the various goals of One-Euro-Jobs are partly conflicting. For instance, the goal of labour market integration of participants is not easy to achieve with jobs which have to be additional. But abandoning or weakening the requirement of additionality of One-Euro-Jobs in order to facilitate labour market integration of participants would increase the danger of substitution effects. Hohendanner (2007) finds some indication that One-Euro-Jobs crowd out regular employment as he finds that establishments providing One-Euro-Jobs in Eastern Germany show lower growth rates in regular employment than establishments who do not provide One-Euro-Jobs. He assumes that particularly participants who are highly skilled provide the establishment with an incentive to replace workers. However, using establishment data he cannot find evidence for this.

There is scarce empirical evidence on One-Euro-Jobs. Bellmann et al. (2006), Hohendanner (2007) and Hohendanner et al. (2007) highlight the issue of One-Euro-Jobs from an establishment perspective. They find that One-Euro-Jobs are concentrated in certain industries, such as the public sector, education, health or culture. They are provided in establishments that have already carried out other public employment schemes in the past. However, there is no empirical evidence on the question who participates in One-Euro-Jobs.

There are a few studies concentrating on the selection into different programmes (Bernhard et al., 2006b; Stephan / Zickert, 2008). However, most studies on active labour market policies concentrate on the issue of programme effectiveness and only allude to the selectivity issue, some more and some less (Caliendo, 2006; Caliendo et al., 2004, 2006, 2008b; Carling / Richardson, 2004; Fitzenberger et al., 2007; Lechner / Wunsch, 2006). Hohmeyer / Wolff (2007) evaluate effects of One-Euro-Jobs without concentrating on selection issues. Yet, besides the economic importance of the effectiveness of such a programme, it is important to investigate selectivity issues, especially for the initial period of such a reform.

Further factors support the importance of selectivity studies (Heckman / Smith, 2004). First, knowledge on selectivity can provide useful information on programme operations. For instance, are One-Euro-Jobs actually used in

order to activate individuals who are particularly hard to place? Second, we gain information about inequality. Do specific groups, such as women or foreigners, have the same chance (or "risk") of participating as others? Are there explanations for any differences? Third, knowledge on selectivity contributes to finding an adequate evaluation strategy used for determining the effects of the programme on participants' employment outcomes. Furthermore, questions about the participation probability of certain groups and why some groups take part less often can be addressed in a selectivity analysis. One example is the issue of gender mainstreaming, which is addressed here. Are there observable reasons for the low female participation rate in Western Germany? By using a new application of the Blinder-Oaxaca decomposition analysis by Fairlie (2006) we explain this low participation rate in comparison to eastern German women.

The paper is organised as follows: Chapter two describes the institutional framework of the recent reforms and of One-Euro-Jobs, while chapter three deals with previous findings on participation structures and selectivity of public employment and workfare programmes. In chapter four we outline the theoretical framework and hypotheses. The methodology and data that we used are described in chapter five. Finally, the results of the probit and the decomposition analyses follow in chapter six and chapter seven concludes.

2. Institutional Framework

In January 2005 the last step of the Hartz reforms came into force in Germany and the Social Code II ("SGB II") was introduced.[2] One main point of the reform was the consolidation of the former unemployment assistance and social assistance for employable people in need into unemployment benefit II ("Arbeitslosengeld II"). The reforms aimed to activate and integrate more individuals into the labour market. This particularly concerns people who were the responsibility of the social assistance offices before and who have not worked for a long period and are thus rather distant from the labour market.

On the one hand, the new Social Code II increases the conditionalities attached to the receipt of welfare benefits. For example, unemployment benefits can be cut if employment search efforts are found to be insufficient. On the other hand, the reform provides more opportunities for assisting unemployed people to take up employment. One option of promoting and challenging unemployed people is public employment. There are three similar types of public employment programmes within the Social Code II: First, there are the tradi-

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

tional job creation schemes ("Arbeitsbeschaffungsmaßnahmen") which were already part of the law on employment promotion ("Arbeitsförderungsgesetz") in 1969. Second, two types of work opportunities were introduced in 2005: Contributory work opportunities with a wage ("Arbeitsgelegenheiten in der Entgeltvariante") and work opportunities with an allowance in addition to unemployment benefits for additional expenses ("Arbeitsgelegenheiten in der Mehraufwandsvariante"), also known as One-Euro-Jobs.[3] More than 95% of work opportunities are One-Euro-Jobs, so we concentrate on this programme. Table 1 shows that in each year of the first three years of the programme between 600,000 and 700,000 unemployed people started a One-Euro-Job which is a remarkable figure if it is taken into consideration that the stock of unemployed UB II recipients averaged 2.1 to 2.4 million.

Table 1

Entries into One-Euro-Jobs and stock of unemployed receiving UB II 2005 to 2007

	Inflow into One-Euro-Jobs			**Average stock of unemployed people receiving UB II**		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
Total	603,858	704,477	667,056	2,401,993	2,442,795	2,187,041
Eastern Germany % of women	287,888 44.9	297,979 44.6	265,851 44.5	833,977 45.2	846,804 44.9	780,957 46.0
Western Germany % of women	315,970 34.2	406,498 35.0	401,205 36.9	1,568,015 43.7	1,595,991 45.4	1,406,083 47.5

Source: Statistics of the Federal Employment Agency, calculations from the Data Warehouse.[4]

One-Euro-Jobs have several goals. They are aimed at increasing the employability of long-term unemployed people and enhancing their chances of finding regular employment (Bundesagentur für Arbeit, 2005). Furthermore, they aim to integrate unemployed people socially by providing them with a task and a daily routine. They are also used as a means of testing an unemployed person's willingness to work. Moreover, public employment can be seen as a contribution to the provision of public goods by the recipients of means-tested unemployment benefit. Jobs provided in the context of One-Euro-Jobs have to be additional and of public interest in the same way as job creation schemes. In this way, policy makers intend to ensure that regular employment is not

[3] Table 4 in the Appendix gives a list of characteristics of these three public employment programmes.

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

crowded out by public employment programmes. Furthermore, it is less likely that participants with low skills would provide an establishment with an incentive to replace workers (Hohendanner, 2007). However, additional jobs make the goal of integration into the labour market more difficult to achieve (Stahlmann, 2008a and 2008b).

In addition to their unemployment benefits, participants receive an allowance of usually between one Euro and 1.50 Euros per hour worked. Organisations providing the work opportunity receive a lump sum covering the allowance and other costs of providing One-Euro-Jobs (e.g. working clothes and training of participants). One-Euro-Jobs are not subject to social security. The actual duration of participation is typically up to six months and the work should be part-time (up to 30 hours per week) to ensure that participants are still able to apply for regular jobs (further information can be found in Hohmeyer et al., 2006). Weekly hours averaged 28.9 in western and 27.7 in eastern Germany in the first six months of 2005 (Wolff / Hohmeyer, 2006).

According to Bellmann et al. (2006) One-Euro-Jobs concentrate on the public sector, education and training, health and care, culture and non-profit organisations in 2005. They are provided in establishments that have already carried out other public employment schemes in the past. In 2007, roughly half of the started One-Euro-Jobs were in environmental protection, landscape conservation and infrastructure development (Table 2).[5] However, there are both gender-specific and regional differences. While women are more likely to take up a One-Euro-Job in the care sector, men are more likely to start a programme in environmental protection or infrastructure development.

All employable[6] benefit recipients are eligible for participation in a One-Euro-Job. But not all employable benefit recipients have to be available for placement in jobs and labour market programmes. Possible reasons for not being available for the labour market are, for example, bringing up small children or taking care of relatives (§ 10, Social Code II). Those who are available are registered as unemployed unless they work more than 15 hours per week or they are participating in an active labour market programme.

Among the broad group of eligible benefit recipients there probably are groups who are targeted more or others who are less likely to participate. However, given the mentioned variety of aims, it is hard to guess who really participates in One-Euro-Jobs. Do the participants predominantly belong to the defined target groups? Klemm et al. (2007) argue that both creaming processes and dumping processes could play a role in the selection of participants.

---

5 Unfortunately, information on industries is not available for 2005 and 2006 (Statistik der Bundesagentur für Arbeit, 2006).

6 Employable in the broader legal sense (Social Code II, § 8): A person is regarded as employable unless he / she is unable to work for at least three hours a day under regular labour market conditions for a longer period of time due to illness or disability.

There is no strict rule as to when a person is to be offered a One-Euro-Job. Only young unemployed people are probably targeted at the beginning of their unemployment because they should not be registered as unemployed for longer than three months.

Table 2

Industry of One-Euro-Jobs started in 2007, as %

2007	Total	East		West	
		Men	Women	Men	Women
Health and care	12.0	4.9	13.0	9.5	22.6
Child care and youth welfare services	10.8	10.3	18.0	6.6	12.7
Advisory services	8.4	8.3	12.6	6.6	8.0
Environmental protection and landscape conservation	24.7	28.3	14.9	32.4	15.9
Infrastructure development	29.4	28.4	21.1	33.9	29.4
Education and training	8.2	8.8	9.6	7.1	8.5
Science and research	0.4	0.4	0.4	0.5	0.4
Art and culture	4.4	6.9	8.5	2.3	2.1
Sports	1.5	3.6	1.8	0.9	0.2
Classification impossible	0.1	0.0	0.0	0.1	0.1

Source: Statistics of the Federal Employment Agency, calculations from the Data Warehouse.

One-Euro-Jobs are subordinate to regular employment, vocational training and other active labour market programmes. This implies that One-Euro-Jobs should be used as a "last resort" and individuals with specific difficulties in finding regular employment should be more likely to participate in One-Euro-Jobs than those who have better chances of finding a regular job. Examples for people who are particularly hard to place are those with long (cumulated) periods of unemployment or those whose last regular employment was a long time ago. Those who did not work and were not registered as unemployed in the years before the implementation are also distant from the regular labour market. Moreover, the Federal Employment Agency defined special target groups for One-Euro-Jobs within the Social Code II compendium (Bundesagentur für Arbeit, 2006a). These are young adults, unemployed individuals with barriers to placement[7], people with a migration background and older unemployed individuals.

[7] The Federal Employment Agency remains imprecise in what is meant by barriers to placement in this context. In the context of unemployment insurance benefit reci-

The selectivity analysis investigates whether such target groups among the eligible are really addressed by the programme as there are several conflicting aims such as increasing employability, integrating into regular employment or willingness-to-work tests.

3. Selectivity of Public Employment and Workfare Programmes

Very little research has been conducted on the probability of recipients of UB II to take part in active labour market programmes. So far, there is no multivariate analysis on the participation probability for One-Euro-Jobs. Recently, some descriptive research has been published on the structure of participants (inflow) in public employment programmes in 2005 (Bernhard et al., 2006a; Heinemann et al., 2006; Hohmeyer et al., 2006; Wolff / Hohmeyer, 2006). Heinemann et al. (2006) and Wolff / Hohmeyer (2006) analyse the extent to which defined target groups participate in the programmes. Young unemployed people under the age of 25 start One-Euro-Jobs disproportionately often whereas the older unemployed take up One-Euro-Jobs less often compared to their share in the unemployed individuals. Women in western Germany start a One-Euro-Job less often while eastern German women start them in proportion with their share of the unemployment stock. Women without vocational training participate even less frequently while for men the share of participants without vocational training roughly as large their share of the unemployment stock. Overall, no concentration on target groups can be observed in these descriptive studies with the exception of young unemployed people.

When examining selection into One-Euro-Jobs, one can also look at fairly comparable public employment schemes. On the one hand, one could partly compare One-Euro-Jobs to international welfare-to-work programmes. On the other hand, German job creation schemes may also be comparable in some respects. The concept of One-Euro-Jobs is somewhere between these two programmes. That is why we briefly present selected selectivity results for both job creation schemes and workfare programmes.

In various evaluation studies, Caliendo and others (Caliendo et al. 2004, 2006, 2008b; Caliendo, 2006) use binary logit models to analyse the participation probabilities of a sample of individuals who were registered as unemployed in January 2000 and were receiving unemployment insurance benefits. They find that in western Germany, married people (especially women) have a

pients, unemployed with barriers to placement are long-term unemployed, unemployed people aged 50 or older, people with disabilities, those without vocational training or re-entrants to the labour market.

lower probability of participation whereas in eastern Germany the opposite holds. The authors presume that this is due to the more traditional division of labour between men and women in western Germany or due to the different labour market situations in the two regions. Assuming that married women are more likely to participate if their husbands are unemployed, this could be the reason for the regional difference, as unemployment is higher in eastern Germany. However, the authors were not able to test this hypothesis with the data that was available to them. As more precise data on the household context is available to us, we look at this hypothesis for the case of One-Euro-Jobs.

Besides these few German studies about the selection into public employment schemes, some international research has been conducted on the selection into workfare programmes. Handler (2003) surveys international workfare literature and compares selectivity of workfare programmes in the US and in Western Europe. He concludes that workfare participation is highly selective. He ascribes this mainly to placement officers who prefer sending clients with better employment chances to a workfare programme (cream skimming).

For several reasons, the multivariate selectivity analysis of One-Euro-Jobs in Germany is a new task as firstly this is a new programme (on which only descriptive evidence exists so far) that we analyse in its introduction period, and secondly there is generally little evidence on programme selectivity and its cause.

4. Theoretical Background

Public employment has the aim of activating unemployed individuals. On the one hand, it aims to raise the employability of participants, thereby enhancing their labour market chances (Bundesagentur für Arbeit, 2005). One-Euro-Jobs in particular have the goal of creating the basic preconditions for participants to take up jobs. For example, participants should become accustomed to regular work schedules. This is thus most likely to be effective for those UB II recipients who are hard to place. Furthermore, One-Euro-Jobs can also be used as work test. Is the unemployed individual willing to work or able to follow a regular work schedule? This reason for an assignment to a One-Euro-Job may also be relevant for unemployed people with placement barriers and secondly, for people who are suspected of working illegally. Thus, the decision as to which individuals are selected into the programme may also influence the effectiveness of public employment schemes that is investigated by microeconometric studies (Hohmeyer / Wolff, 2007). For such evaluation studies it is important to gain knowledge about the processes and mechanisms of placement into One-Euro-Jobs and the programme operation in order to apply a suitable evaluation strategy. This kind of research plays a crucial part in identifying problems regarding the current labour market reforms and their actual implementation.

Heckman / Smith (2004) describe the participation decision for a prototypical voluntary labour market programme as a process of five steps which all have to be passed through for participation to take place. These fives steps are: 1: eligibility, 2: awareness, 3: application, 4: acceptance and 5: enrolment. This concept can be applied to the typical situation of the selection into One-Euro-Jobs. However, the individual steps cannot always be separated clearly.

We have information on the participation decision from two different sources. First, we analysed legal requirements and documents of the Federal Employment Agency. According to this source, eligibility is affected by legal requirements. Establishments wishing to provide One-Euro-Jobs have to take certain requirements into account. Unemployed people also have the opportunity to search for a One-Euro-Job on their own. Second, we conducted a survey of employment office case managers in late 2005 (Wolff / Hohmeyer, 2006). We first briefly describe the five steps mentioned above according to the two sources. This is followed by a more detailed description of each step. This survey showed that typically either an eligible (*Step 1: eligibility*) unemployed person enquires about participation in a One-Euro-Job or participation in general is suggested by the case manager (*Step 2: awareness*). However, it is rarely the case that an unemployed person approaches his case manager with a concrete One-Euro-Job that he has found. Typically, it is the case manager who suggests a particular work opportunity to the recipient of UB II[8] (*Step 3: proposal*). The UB II recipient then has to attend an interview with the operating establishment (*Step 4: interview and acceptance*). If the unemployed individual is accepted by the establishment, s / he can start the One-Euro-Job (*Step 5: enrolment*). Our results do not permit us to distinguish between the different steps. However, they make clear what mechanisms could be at work during selection. Furthermore, they clarify that the selection into the programme is no single event but a process. The selection depends on different legislative, executive and judicial restrictions.

Unemployed individuals do not necessarily begin a One-Euro-Job voluntarily, as this programme can also be used as a work test in order to check whether unemployed people are available for job placement and are willing to cooperate. A refusal to take up a One-Euro-Job can be sanctioned by unemployment benefit cuts.

Step 1: Eligibility

Means-tested unemployment benefit recipients who are employable as well as available to the labour market are eligible for participation in One-Euro-Jobs. As we consider only eligible unemployed persons, we do not examine

[8] See also the suggestion form for work opportunities on the homepage of the Federal Employment Agency.

the determinants of eligibility in this study. Although we do not look at this step, we can reasonably investigate the determinants of participation or, as Heckman / Smith (2004) put it: "Getting these groups to participate in employment and training programs (...) requires more than just making them eligible for program services." Although the analysed population is eligible, we consider the relevance of defined target groups for One-Euro-Jobs as this programme is intended to target certain groups in particular.

Step 2: Awareness

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

Furthermore, *frequency of contacts* to the local employment agency plays a role, because case managers should inform recipients of UB II about One-Euro-Jobs. We can therefore assume that the person in a household who is authorised to deal with the request for unemployment benefits for the household is more likely to be informed about work opportunities by the case manager. Moreover, the awareness depends on the respective *case manager* and the *local employment agency.* The local employment agency determines the implementation of One-Euro-Jobs, e.g., by deciding how many unemployed are placed, who is placed (targeting) and what kind of One-Euro-Jobs are established. The case manager's inclination to inform the unemployed about work opportunities is influenced by these decisions and of course by target groups that are required by law. Cream skimming could also play a role for this.

Step 3: Proposal

The likelihood of receiving a proposal for a particular One-Euro-Job depends not only on the inclination of the case manager but also on the availability of suitable positions. So, individual characteristics of UB II recipients are also essential for the proposal of a One-Euro-Job.

The individual qualification level may therefore be important. If One-Euro-Jobs with certain qualification requirements are available, for example, only qualified individuals may take part. That is also why cream skimming may play an important role. On the one hand, case workers may have an incentive to place more highly skilled individuals in a One-Euro-Job because of the availability of suitable positions. On the other hand, the integration into the

labour market after the programme could be easier to achieve for qualified individuals than for people with a lower qualification level. Case workers have to guess about programme impacts and build their expectations on a quite uncertain basis (Caliendo et al., 2008a). Moreover, case managers are often evaluated by means of their integration rates.[9] The steps following the proposal are always dependent from the proposal. Moreover, the case managers are able to anticipate the further steps such as interview and acceptance. So, they can propose One-Euro-Jobs only to those UB II recipients who are likely to be accepted.

Furthermore, the household context is also likely to be important, e.g. the existence of (small) children in the household. If child-care availability is a problem, it is less probable that people with small children will be offered a One-Euro-Job. This argument also holds for individuals who are currently working, predominantly in minor employment ("mini jobs"), but not earning enough to live on. They would not have the time to participate in a One-Euro-Job without giving up their present employment which (in the short run) would be efficient neither for themselves nor for employment agencies. Moreover, the use as a work test, which was mentioned earlier, could motivate case managers to propose a One-Euro-Job to more highly qualified people.

Furthermore, it is likely that defined target groups such as young unemployed people, foreigners, older unemployed people or individuals with placement barriers will get a proposal for a One-Euro-Job, as case managers should suggest them.

Step 4: Interview and acceptance

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

Step 5: Enrolment

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

[9] As Handler (2003) shows, this is also empirically relevant for several countries.

5. Data and Methodology

5.1 Data

For our analyses we rely on a rich administrative dataset containing individual information on personal characteristics and on both the unemployment and the employment history (sample of the Integrated Employment Biographies IEB version 5.00).[10] Moreover, the very same information is also available for the partner (not only spouses but also partners living in the same household) of the unemployed individuals. This is only possible for the new data on UB II recipients because of the labour market reforms that came into force in January 2005 and which defined need in a household context. We rely on the new UB II dataset 'Leistungshistorik Grundsicherung' (LHG version 1.00). Furthermore, we include information on regional labour market characteristics such as the unemployment rate and the trend in the unemployment rate (at district level). In addition, we include regional information on the availability of child-care facilities in districts (Statistische Ämter des Bundes und der Länder, 2004).

We analyse a random sample from the unemployment stock on 31st January 2005 who receives UB II. Participants start a One-Euro-Job between February and April 2005. Here, only the participants' first programme start in this time frame is considered. Later programme starts in the same time frame are disregarded. Non-participants do not take up such an employment programme in the same time frame.[11] However, non-participation does not only mean non-participation at all, but non-participants may participate in any other ALMP that is available for UB II recipients.

The dataset contains 371,457 individuals, with 297,103 non-participants and 74,354 participants who are unemployed, receive UB II and do not participate in any ALMP on 31st January 2005. After excluding some cases with missing values in relevant covariates (7,045), and imposing an age restriction from 15 to 62 years (ruling out 2,209 cases), 289,303 non-participating individuals and 72,883 participants remain.

Because of the rich information in the dataset we include a variety of covariates that we assume to influence the assignment into One-Euro-Jobs. First of all, we include socio-demographic variables on age, impairment of health and disability, nationality, marital status, children and the individual's qualification

[10] The data access is not free but researchers can make a request according to § 75 Social Code X (transmission of social data for research and planning) directed to the Federal Employment Agency.

[11] The dataset only considers individuals who are not in the responsibility of districts or towns which do not cooperate directly with the Federal Employment Agency for the administration of UB II (69 out of 439 districts), as the data for theses 69 district was not available.

level.[12] Next, we consider variables on the unemployment history such as cumulated unemployment duration and cumulated receipt of unemployment insurance (UI) benefit. Further, we consider if someone has a lag in his unemployment as well as employment history measured with an out-of-labour force period of more than 30 days during the last five years. We also include UI and UA benefit receipt on 31st December 2004. Then we incorporate variables on employment such as the cumulated duration of regular employment as well as information on the last job (sector, firm size, earnings). In addition, the distance from the labour market is considered by using a variable on the time since the end of the last job and a variable on the mean duration of last jobs. We also include, whether individuals have a minor employment ("mini job") on 31st January 2005. Only for women, we take into account whether they are looking for a part-time job. Furthermore, there are variables on the history of the participation in active labour market programmes. Moreover, we consider several interaction terms with age: age interacted with regular employment in the past as well as the interaction between age and vocational training. The effects could differ for younger individuals because they have a higher probability of not having completed vocational training and not having longer spells of regular employment. Then we include some information about the partner, such as qualification level or whether the partner was unemployed on 31st January 2005. Furthermore, we include information on the share of children under the age of three who are looked after in a daycare facility.[13] And finally, we control for regional characteristics on the one hand with the local unemployment rate and its trend, the vacancy-unemployment ratio and its trend and the percentage of long-term unemployed and its trend. We also include a regional classification of labour market types into twelve different district types according to Rüb and Werner (2007). The descriptive statistics of the dataset are shown in Table 5 in the Appendix. They show that the percentage of young adults under the age of 25 is larger in the group of participants. 70 to 90 percent of the dataset consists of Germans without migration background. More than 50 percent are singles with a larger share in the participants' group. Moreover, more than half of the sample has received UA benefit in December 2004. It is remarkable that in the sample the share of former participants in active labour market programmes is high. Around 30 percent have participated before in short classroom training. The share of former programme participants is higher for One-Euro-Job participants than for non-participants.

[12] The variable showing whether the person is the head of the household or authorised could not be included as there was no variance for participants. 99 percent of the participants are the head of the household.

[13] We include the share for the year 2002, as no later years had been reported before 2005 (Statistische Ämter des Bundes und der Länder, 2004).

5.2 Methodology

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

$$Py_i = 1|x_i = G(x_i, \beta)\,.$$

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

We estimate the selectivity into One-Euro-Jobs with the aid of binary probit models and we take the heterogeneity of participants into account by estimating separate models. We compute different models for men and women in eastern and western Germany for several reasons. First, the unemployment rate in western Germany, which stood at 9.8 percent in the year 2005, is roughly half the level of that in eastern Germany.[14] So the availability and use of One-Euro-Jobs as well as the selection into One-Euro-Jobs probably differ. We conduct separate estimates for men and women as the labour market behaviour is gender specific.[15] We specify our models by assessing non-linearities in the set of independent variables. We therefore use several dummy variables instead of ordinal or metric variables such as age or the cumulated unemployment duration. We then test these dummy variables using Wald tests on equal coefficients in the categories. We proceed with the "from general-to specific" approach. We start with the most general model and the largest set of possible independent variables. Then, for testing hypotheses about the coefficients, we choose a simpler and statistically valid specification with the aid of Wald tests.[16] Furthermore, we show marginal effects. Except for the regional variables, the variables in the equations are dummy variables. The marginal effects are thus calculated at zero values of the covariates. For the (continuous) regional variables we calculate the marginal effects at the weighted means.

As the participants are the entire population of programme starts in the mentioned time frame and the non-participants are only a sample, we use

[14] The rate of registered unemployment is considered here.

[15] The effect of gender in a model with men and women is significant. Western German women are less likely to start a One-Euro-Job than western German men. These results are available on request.

[16] We only excluded variables that were tested out in all models, these are interaction terms with age and unemployment, programme participation during the last year and several partner variables (school, employment and unemployment).

weighted models. Otherwise the proportion of transition from unemployment into One-Euro-Jobs would be overestimated. Hence, the coefficient for the constant in the probit regression would be biased and as a result, individual selection probabilities would be too high. The marginal effects would therefore also be estimated inconsistently as they depend on the individual probabilities (King / Zeng, 2001).

We use a decomposition analysis in order to explain the different participation probabilities for women in the two regions. There are various possible reasons for such differences. On the one hand, differences in the characteristics of women in eastern and western Germany such as the higher educational level or the broader availability of child care facilities in eastern Germany could account for these differences. On the other hand, differences in the selection process could be responsible for the gap, such as regional differences in the labour-market orientation of women or how they are treated by the case workers.

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

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

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

where P^E is the average probability of women in eastern Germany starting the programme and P^W is the same for western German women. The effect D due to differences in unobserved characteristics (often labelled as "discrimination effect") is defined by the difference between the participation probability of eastern German women (P^E) and the participation probability of eastern German women if they behaved (or were treated) like western German women (P^E_W). The effect Q due to differences in characteristics can be written as the difference between the participation probability of eastern German women if they behaved like western German women (P^E_W) and the participation probability of western German women (P^W). In this term the coefficients are held constant. It indicates the extent to which different probabilities of starting a One-Euro-Job can be attributed to different observed characteristics of the participants in eastern and western Germany. In the results we concentrate on the effect Q as we are interested in the differences caused by observable variables. We disaggregate Q into the contributions of the single covariates included in the analyses.

6. Results

Table 6 in the Appendix shows the marginal effects for all four sub-groups: men and women in eastern and western Germany. Table 3 in the text provides a short overview of the direction of effects for different covariate groups. In the next sections we discuss the results, following our research questions: Are target groups reached by One-Euro-Jobs? Can different patterns of participation determinants be observed for men and for women? And how can the particularly low participation probabilities of western German women be explained?

Table 3

Results: direction of effects of covariate groups

	East		West	
	Men	Women	Men	Women
Age	–	–	–	–
Impairment of health or disabled	–	–	–	–
German	+	+	+	+
Partner	○	○	+	+
Young children	○	–	○	–
Higher education	+ / ○	+	– / ○	+
Longer unemployment	+	+	+	+
Out-of labour force	–	–	–	–
Longer UI ben. receipt	+	+ / ○	–	○
UI ben. receipt, Dec. 04	–	–	–	○
UA ben. receipt, Dec. 04	○	+	○	+
Longer reg. employment	–	–	– / ○	+
Number ALMPs	+	+	+	+
Job creation schemes	+	+	+	+
Private employment subsidy	–	–	–	–
Start-up scheme	–	–	–	–
Last job: larger firm size	○ / –	○	+	+
Last job: real wage > 0, < 2000 €	+	+	+	+
Minor employment (“mini job”)	–	–	–	–
Longer partner unemployment	+ / ○	○	+ / ○	○
Partner education / training	○	○	○	○
Partner unemployed	○	○	–	○
District proportion of child-care	+	+	+	+
District unemployment rate	–	–	+	+

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

Overall, the reference transitional probabilities are clearly higher for eastern Germany than for western Germany (Table 6). While in eastern Germany the reference transitional probabilities equal about nine to ten percent for men and women, in western Germany this probability is about eight percent for men and less than three percent for women. In eastern Germany there are hardly any differences in the reference transitional probabilities for either men or women whereas in western Germany such differences do exist.

6.1 Target Groups

Unemployed people who are particularly hard to place are supposed to be promoted by One-Euro-Jobs. Examples are unemployed individuals who have not worked for a long period of time or who have health problems. Unemployed people with a migration background are another special target group. Age, too, is an important determinant of participation in a One-Euro-Job. Both young and older unemployed people belong to the defined target groups. However, it cannot be taken for granted that these target groups are reached as other aims should play a role and could support creaming or the usage of One-Euro-Jobs as a work test.

Our results show that the probability of participation decreases with age. The highest probability of participating can be found for unemployed and needy persons below the age of 25, probably due to the legal requirement that says that unemployed people below the age of 25 are to be placed in vocational training, employment or work opportunities immediately after registering as unemployed (§ 3 (2), Social Code II). This requirement is operationalised by the Federal Employment Agency to the effect that no individual below the age of 25 should be registered as unemployed for more than three months (Bundesagentur für Arbeit, 2006b). Thus, we can observe that young unemployed people are reached as a special target group. However, this is not the case for unemployed people above the age of 50.

Despite their definition as a target group of One-Euro-Jobs, foreigners and Germans with a migration background have a lower probability of participating than Germans without a migration background. Exceptions are unemployed people from the former Soviet Union in eastern Germany and western German women with a migration background, where the results are not significant. This may indicate the importance of language skills, which could be relevant for the awareness of the programme (Heckman and Smith, 2004).[17]

Unemployed individuals with health problems or a disability are potentially harder to place. However, they even have a slightly lower probability of participating in a One-Euro-Job than unemployed people without any health constraints and are not especially promoted by One-Euro-Jobs.

Turning to the qualification level, it emerges that the focus on target groups is even worse for women than for men. In western Germany, there are negative effects for better educated men (with an upper secondary school leaving certificate ("Abitur") or an intermediate secondary school leaving certificate and vocational training). Men in eastern Germany have a higher participation likelihood with a lower secondary school leaving certificate than without. However, women generally have higher participation probabilities with a school qualification than without. This also holds for higher qualifications, not only for secondary education. The highest likelihood for western German women exists for those with a medium level of qualification compared to no qualification (0.7 percentage points higher for secondary school leaving certificate plus vocational training with a reference probability of 2.7 percent). Better educated eastern German women have a greater propensity to start a One-Euro-Job (more than four percentage points with a reference probability of ten percent). Maybe there is a lack of suitable One-Euro-Jobs for women with a low qualification level or no qualification at all or perhaps they orientate themselves less towards labour market participation.

Considering periods of un-employment and non-employment in the past as an indicator of distance from the labour market, the impression is split. While the cumulated duration of unemployment increases the participation probability, the fact that there has been a period out of the labour force for more than 30 days within the last five years reduces the probability. So, we are unable to say clearly whether One-Euro-Jobs focus on individuals who are particularly hard to place. On the one hand, the long-term unemployed are targeted. On the other hand, people who have been out of labour force in the past are not targeted. Further selection mechanisms are assumed to be at work.

Concerning the industry of the last contributory job it becomes obvious that employment in sectors like public administration, defence, social security, health care, education (only in western Germany) and other services increase the probability of starting a One-Euro-Job compared to manufacturing as a last sector, whereas working in construction (in eastern Germany) and the retail trade and hotels / restaurants (not for women in western Germany) decrease the probability. The participation probability seems to be higher if the last sector worked in is a typical sector for One-Euro-Jobs such as health, education

[17] In addition, other studies show that unemployed people with a migration background have not been promoted with other ALMPs (Bernhard et al., 2006b; Stephan / Zickert, 2008).

or public administration.[18] This suggests that predominantly those unemployed people who are qualified for the job, e.g. by former employment in the particular industry are recommended and accepted for a One-Euro-Job. This undermines the idea of reaching target groups.

In contrast, there are other results that underline the promotion of target groups. We find support for the existence of "programme careers": the number of participations in active labour market programmes in recent years increases the probability of participating in a One-Euro-Job. The type of programme is also relevant: while participation in job creation schemes (which are similar to One-Euro-Jobs to some extent) increases the likelihood, participation in private employment subsidies and start-up subsidies decreases the probability. This underlines the usage of One-Euro-Jobs as a "last resort", i.e. that the case manager has tried to reach integration through other means before. Participation in other programmes in the past has not been helpful for finding a stable regular job. Therefore, this also suggests that One-Euro-Jobs are used subordinate to other ALMPs.

There is also strong negative effect for minor employment ("mini job") on 31st January 2005. This is only surprising at first sight, because on the one hand an unemployed recipient of UB II should be available for the labour market and should be willing to end his / her neediness. On the other hand, however, in many cases both the labour market agency and the unemployed individual are financially better off with only minor employment than with a One-Euro-Job. Moreover, it is not clear whether someone in minor employment is particularly hard to place.

To sum up, only some of the target groups are reached such as young individuals under the age of 25, the long-term unemployed or people with programme experience.

6.2 Gender and Regional Aspects

Gender plays a role in the selection process. Western German women have a lower probability of participating in a One-Euro-Job than comparable western German men. The relationship is the other way around in eastern Germany.[19] Women in eastern Germany have a slightly higher probability of participating than comparable men. These findings that women in western Germany have a lower participation probability than their eastern German counterparts are in line with results on other active labour market programmes and labour market orientation in general (Bernhard et al., 2006a; Caliendo et al., 2004; Grundig,

[18] According to Bellmann et al. (2006), One-Euro-Jobs are predominantly located in establishments belonging to the sectors of public administration, education, health and care and sports and culture.

[19] Results are not displayed here but are available on request.

2008; Heinemann et al., 2006; Holst / Schupp, 2001; Wanger, 2005; Wolff / Hohmeyer, 2006). There are various possible reasons for these differences. They may be explained, e.g., by different labour market orientations of women as well as by different child-care opportunities or different characteristics such as education in the two regions. On the other hand, differences in the selection process could be responsible for the gap, such as regional differences in the way women are treated by the case workers. To gain more certainty about the driving factors for the differences, a Blinder-Oaxaca decomposition of the effects for logit / probit models (Fairlie, 2006) is conducted.

The results indicate the extent to which different probabilities of starting a One-Euro-Job can be attributed to different observed characteristics of the participants in eastern and western Germany.[20] The models rely on the covariates from the probit models except for the regional classification of labour market types which differs in eastern and western Germany. The results are displayed in Table 7 in the appendix.[21]

Women in eastern Germany have a 4.4 percentage-points higher probability of starting a One-Euro-Job than western German women (7.0 % compared to 2.6 %). Nearly two third of the difference (62 %) between the two groups can be explained by differences in the covariates. This means that characteristics effects account for a difference in the probabilities amounting to 2.7 percentage-points. One observable explanation for the difference is the larger share of child-care facilities in eastern Germany. This larger share explains more than five percent of the entire difference in the participation probabilities. Furthermore, structural differences in the population of unemployed benefit recipients can explain the difference to some extent. For example, different levels of qualification account for 15 % of the differences in the participation probability. The higher qualification level of eastern German women can be seen as one main reason for this group's higher probability of starting a One-Euro-Job. These results are in line with results on female labour market participation in general in eastern and western Germany (Grundig, 2008).

In addition, the participation differences can be partly explained by differences in unemployment duration and nationality. For example, the larger share of foreigners in western Germany accounts for 9.4 % of the differences in the participation probabilities. The unexplained part can probably be traced back to general differences between the intensity of labour market policies in east-

[20] One may also wish to compare men and women in western Germany directly. These results are not discussed here but are available on request.

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

ern and western Germany as the participation rate is generally higher in eastern Germany.

It must be emphasised, however, that it is the group of western German women that shows positive effects in evaluation studies with respect to the regular employment rate for public employment programmes such as job creation schemes and One-Euro-Jobs (Caliendo et al., 2004; Hohmeyer / Wolff, 2007). One possible explanation for such positive results is the selective usage of the instrument.

Gender differences are also found in the role of the unemployed person's family background. Single people in eastern Germany do not seem to have a higher participation probability than unemployed persons with a partner; the effects are insignificant. The only exceptions are men in eastern Germany with an unmarried partner. Their participation is less likely. There are also effects for unemployed singles in western Germany. Single men have a lower likelihood to participate (0.6 percentage points). On the contrary, single women have a higher probability of participating than women with a partner (1.6 percentage points) and married western German women have the lowest participation probability. Thus, having a partner is important for the participation probability of women but is the labour market status of the partner also important? Caliendo et al. (2004) assume that the higher participation rate of eastern German women compared to women in western Germany can partly be explained by the fact that in eastern Germany there are more women whose partner is unemployed (see chapter 3). Yet we find the partner's current unemployment not to have any influence on the participation probability with one exception. This variable is negative for all groups, but only significant for men in western Germany. We cannot therefore support the hypothesis raised by Caliendo et al. (2004). In general, most of the variables with information about the partner do not have a significant influence on the selection into One-Euro-Jobs. Men with spouses with last unemployment spells of up to one year (or longer in eastern Germany) have a greater propensity to begin a One-Euro-Job.

The role of children with regard to the participation probability differs for men and women. The participation probability of unemployed men in eastern Germany is unaffected by whether or not they have children. This is different for western German men who are less likely to participate with one or two children. However, whether a woman has children or not generally makes no difference in western Germany. On the contrary, western German women have a 1.6 percentage-points lower probability of participating if they have a child under the age of three compared to women without children of this age. In contrast, eastern German women even have a greater propensity to start a One-Euro-Job if they have children (0.8 to 1.3 percentage points). Nevertheless, they have a four percentage-points lower likelihood of entering the programme with children under the age of three. This is remarkable as people

caring for a child under the age of three do not have to be available for job placement but can register as unemployed on a voluntary basis (§ 10 (1), Social Code II). Thus, one could assume that those registering as unemployed are particularly motivated and are more likely to participate. However, this is not what our results suggest. It may be the case managers who do not expect these women to participate in One-Euro-Jobs (for example, in the function of One-Euro-Jobs as work tests) or because of lacking child care facilities. This indicates that the proposal to take up a One-Euro-Job may be an important step for the participation decision.

7. Conclusion

In this study the determinants of unemployed means-tested benefit recipients starting a One-Euro-Job in spring 2005 were analysed. Furthermore, we looked at whether unemployed people with specific problems and unemployed people in defined target groups are especially targeted by One-Euro-Jobs. In addition, we tried to find explanations for gender and regional differences in the participation patterns. For the analyses, the method of probit analyses was applied to estimate the determinants of starting a One-Euro-Job for men and women in eastern and western Germany using rich administrative datasets.

Overall, we conclude that only some of the target groups are reached: young unemployed people under 25, people with longer unemployment spells in the past and individuals with "programme careers". On the other hand, unemployed people with disabilities or people with a migration background are not promoted by One-Euro-Jobs. International workfare studies have also found that target groups are only reached partially. Whether this is due to the use of One-Euro-Jobs as work tests or due to cream skimming by case managers and firms or whether it is caused by other factors cannot be answered here. However, with respect to unintended effects such as substitution effects, it may be particularly problematic to promote more qualified unemployed persons with One-Euro-Jobs. Offering One-Euro-Jobs to less skilled individuals makes such unintended effects less likely.

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

Furthermore, there are gender specific differences. While partner characteristics only show a weak impact on the participation probability, there is a gen-

der-specific effect of having children. The participation probability of unemployed men is unaffected by whether or not they have young children. Women have a lower probability of participating if they have a child under the age of three compared to women without children of this age.

From analyses of the participation structure of One-Euro-Jobs we know that eastern German women have a significantly higher likelihood of participating than western German women. We employed a decomposition analysis to investigate the extent to which this difference can be attributed to differences in observed characteristics. Almost two third of the differences can be explained by differences observed in the values of the covariates. One element is child-care facilities which are traditionally more prevalent in eastern than in western Germany (Statistische Ämter des Bundes und der Länder, 2007) and thus enable women to participate in the labour market there. Furthermore, the results show that women without a vocational qualification are less likely to participate in a One-Euro-Job. In western Germany, 64% of unemployed women receiving UB II did not possess any qualifications in 2005. This share is twice as high as in eastern Germany where only 32% of unemployed and needy women do not have a training qualification (Wolff / Hohmeyer, 2006). The decomposition analysis shows that these differences can account to some extent for the differences in the female participation rates between the two German regions. The qualification level can account for more than 15% of the differences and child-care facilities for a further 5.3%. In addition, differences in the participation probabilities can partly be explained by the structure of unemployed benefit recipients with regard for example to unemployment history and nationality.

Considering that defined target groups are reached only partially is important in a further aspect. One-Euro-Jobs are supposed to aim at several goals. Observing no clear focus on target groups suggests that indeed several goals are pursued. As mentioned above, these goals partially conflict: for example, direct labour market integration of participants cannot be expected at a large scale with additional jobs, which predominantly do not take place in a regular market sphere. On the contrary, jobs closer to the regular labour market would more likely lead to substitution effects or deadweight losses. Regarding that the various goals at least partially conflict, a clarification and limitation of goals of One-Euro-Jobs would be reasonable.

With respect to previous evaluation results (Hohmeyer / Wolff, 2007), which suggest that One-Euro-Job participation does not help people close to the labour market to increase their labour market chances, it might be one solution to focus One-Euro-Jobs on hard-to-place individuals to a larger share.

References

Bellmann, L. / *Hohendanner,* C. / *Promberger,* M. (2006): Welche Arbeitgeber nutzen Ein-Euro-Jobs? Verbreitung und Einsatzkontexte der SGB II-Arbeitsgelegenheiten in deutschen Betrieben, Sozialer Fortschritt 55 (8), 201 – 207.

Bernhard, S. / *Hohmeyer,* K. / *Jozwiak,* E. (2006a): Zweiter Arbeitsmarkt: Im Westen noch nichts Neues, IAB-Kurzbericht 24, Nürnberg.

Bernhard, S. / *Wolff,* J. / *Jozwiak,* E. (2006b): Selektivität bei der Zuweisung erwerbsfähiger Hilfebedürftiger in Trainingsmaßnahmen oder zu privaten Vermittlungsdienstleistern, Zeitschrift für ArbeitsmarktForschung 39 (3 / 4), 533 – 556.

Blinder, A. S. (1973): Wage Discrimination: Reduced Form and Structural Variables, Journal of Human Resources 8 (4), 436 – 455.

Bundesagentur für Arbeit (2005): Arbeitshilfe zur Umsetzung von Arbeitsgelegenheiten nach § 16 Abs. 3 SGB II, (2nd September 2005).

Bundesagentur für Arbeit (2006a): Kompendium. Aktive Arbeitsmarktpolitik nach dem SGB II, 2nd edition, (http: // doku.iab.de / externe / 2006 / k060410f09.pdf, 13th August 2007).

Bundesagentur für Arbeit (2006b): Sozialgesetzbuch Zweites Buch – Grundsicherung für Arbeitsuchende, Jahresbericht 2005: Zahlen, Daten, Fakten, (http: // www.arbeitsagentur.de / content / de_DE / hauptstelle / a-07/importierter_inhalt/pdf/Jahresbericht_2005_SGB_II.pdf, 24th March 2006).

Caliendo, M. (2006): Microeconometric Evaluation of Labour Market Policies, Lecture Notes in Economics and Mathematical Systems, Berlin / Heidelberg.

Caliendo, M. / *Hujer,* R. / *Thomsen,* S. L. (2004): Evaluation der Eingliederungseffekte von Arbeitsbeschaffungsmaßnahmen in reguläre Beschäftigung für Teilnehmer in Deutschland, Zeitschrift für Arbeitsmarktforschung 37 (3), 211 – 237.

Caliendo, M. / *Hujer,* R. / *Thomsen,* S. L. (2006): Sectoral Heterogeneity in the Employment Effects of Job Creation Schemes in Germany, Journal of Economics and Statistics / Jahrbücher für Nationalökonomie und Statistik, 226 (2), 139 – 179.

Caliendo, M. / *Hujer,* R. / *Thomsen,* S. L. (2008a): Identifying Effect Heterogeneity to Improve the Efficiency of Job Creation Schemes in Germany, Applied Economics, 40 (9), 1101 – 1122.

Caliendo, M. / *Hujer,* R. / *Thomsen,* S. L. (2008b): The Employment Effect of Job Creation Schemes in Germany: A Microeconometric Evaluation, in: Millimet, D. / Smith, J. / Vytlacil, E. (eds.), Advances in Econometrics, Volume 21: Estimating and Evaluating Treatment Effects in Econometrics, 383 – 430.

Carling, K. / *Richardson,* K. (2004): The relative efficiency of labor market programs: Swedish experience from the 1990s, Labour Economics 11 (3), 335 – 354.

Fairlie, R. W. (2006): An Extension of the Blinder-Oaxaca Decomposition Technique to Logit and Probit Models, IZA Discussion Paper 1917, Bonn.

Fitzenberger, B. / *Osikominu,* A. / *Völter,* R. (2007): Get Training or Wait? Long Run Employment Effects of Training Programs for the Unemployed in West Germany, forthcoming in Annales d'Economie et de Statistique.

Grundig, B. (2008): Why is the share of women willing to work in East Germany larger than in West Germany? A logit model of extensive labour supply decision, Ifo Working Paper 56.

Handler, J. F. (2003): Social citizenship and workfare in the US and Western Europe: from status to contract, Journal of European Social Policy 13 (3), 229 – 243.

Heckman, J. / *Smith,* J. (2004): The Determinants of Participation in a Social Program: Evidence from a Prototypical Job Training Program, Journal of Labor Economics 22 (4), 243- 298.

Heinemann, S. / *Gartner,* H. / *Jozwiak,* E. (2006): Arbeitsförderung für Langzeitarbeitslose. Erste Befunde zu Eingliederungsleistungen des SGB III im Rechtskreis SGB II, IAB-Forschungsbericht 3, Nürnberg.

Hohendanner, C. (2007): Verdrängen Ein-Euro-Jobs sozialversicherungspflichtige Beschäftigung in den Betrieben?, IAB Discussion Paper 8, Nürnberg.

Hohendanner, C. / *Promberger,* M. / *Bellmann,* L. (2007): Ein-Euro-Jobs in deutschen Betrieben: Mehr als "alter Wein in neuen Schläuchen"?, Sozialer Fortschritt 56 (12), 300 – 309.

Hohmeyer, K. / *Schöll,* C. / *Wolff,* J. (2006): Arbeitsgelegenheiten in der Entgeltvariante. Viele Zielgruppen werden noch vernachlässigt, IAB-Forschungsbericht 22, Nürnberg.

Hohmeyer, K. / *Wolff,* J. (2007): A fistful of Euros. Does One-Euro-Job participation lead means-tested benefit recipients into regular jobs and out of unemployment benefit II receipt?, IAB Discussion Paper 32, Nürnberg.

Holst, E. / *Schupp,* J. (2001): Erwerbsverhalten von Frauen: Trotz Annäherung immer noch deutliche Unterschiede zwischen Ost und West, Wochenbericht des DIW Berlin 42, Berlin.

Jacobi, L. / *Kluve,* J. (2007): Before and After the Hartz Reforms: The Performance of Active Labour Market Policy in Germany, Zeitschrift für ArbeitsmarktForschung 40(1), 45 – 64.

King, G. / *Zeng,* L. (2001): Logistic Regression in Rare Events Data, Political Analysis 9 (2), 137 – 163.

Klemm, M. / *Sowa,* F. / *Freier,* C. (2007): "Ein-Euro-Jobs" in Deutschland: Fallstudien zur Auswirkung der SGB II-Arbeitsgelegenheiten auf Beschäftigungsstruktur und Arbeitsmarktverhalten von Organisationen, Deskriptiv-summarischer Endbericht, mimeo University Erlangen-Nürnberg.

Lechner, M. / *Wunsch,* C. (2006): Active Labour Market Policy in East Germany: Waiting for the Economy to Take off, IZA Discussion Paper 2362, Bonn.

Oaxaca, R. (1973): Male-Female Wage Differentials in Urban Labor Markets, International Economic Review 14 (3), 693 – 709.

Rüb, F. / *Werner,* D. (2007): Typisierung von SGB II-Trägern, IAB-Forschungsbericht 1, Nürnberg.

Stahlmann, G. (2008a): Die Zusätzlichkeit bei Arbeitsgelegenheiten ohne Arbeitsvertrag nach § 16 Abs. 3 SGB II, Teil 1, Zeitschrift für Sozialhilfe und Sozialgesetzbuch (ZfSH / SGB), 337 – 346.

Stahlmann, G. (2008b): Die Zusätzlichkeit bei Arbeitsgelegenheiten ohne Arbeitsvertrag nach § 16 Abs. 3 SGB II, Teil 2, Zeitschrift für Sozialhilfe und Sozialgesetzbuch (ZfSH / SGB), 403 – 422.

Statistik der Bundesagentur für Arbeit (2006): Leistungen zur Eingliederung an erwerbsfähige Hilfebedürftige: Einsatz von Arbeitsgelegenheiten 2005, Nürnberg, April 2006.

Statistische Ämter des Bundes und der Länder (2004): Kindertagesbetreuung regional 2002 – Krippen-, Kindergarten- und Hortplätze im Kreisvergleich, Statistisches Bundesamt, Bonn.

Statistische Ämter des Bundes und der Länder (2007): Kindertagesbetreuung Regional 2006 – Ein Vergleich aller 439 Kreise in Deutschland, Statistisches Bundesamt, Wiesbaden.

Stephan, G. / *Zickert,* K. (2008): Participation of unemployment benefit recipients in active labor market programs – before and after the German labor market reforms, IAB Discussion Paper 15, Nürnberg.

Verbeek, M. (2004): A Guide to Modern Econometrics, Chichester.

Wanger, S. (2005): Frauen am Arbeitsmarkt – Beschäftigungsgewinne sind nur die halbe Wahrheit, IAB-Kurzbericht 22, Nürnberg.

Wolff, J. / *Hohmeyer,* K. (2006): Förderung von arbeitslosen Personen im Rechtskreis des SGB II durch Arbeitsgelegenheiten: Bislang wenig zielgruppenorientiert, IAB Forschungsbericht 10, Nürnberg.

Appendix

Table 4

Public employment programmes

Programme	Characteristics
Job creation schemes	– additional works of public utility – wage subsidies – participant receives usual wage – subject to social security contributions except unemployment insurance – duration of up to twelve months
Work opportunities with a wage	– not necessarily additional works of public utility – wage subsidies – participant receives usual wage – subject to social security contributions – duration of less than twelve months
One-Euro-Jobs	– additional works of public utility – lump sum to the organisation, which covers allowance and further costs of providing One-Euro-Jobs – participant receives allowances of one to two Euros per hour in addition to unemployment benefit II – no contributions to social security – duration of normally up to six months

Table 5

Variable means for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	NP	P	NP	P	NP	P	NP	P
Age in years								
15 – 20	.023	.052	.026	.047	.026	.062	.037	.075
21 – 24	.056	.195	.051	.135	.053	.165	.061	.156
25 – 30	.134	.085	.110	.072	.130	.128	.129	.116
31 – 35	.114	.080	.123	.100	.129	.111	.135	.109
36 – 40	.149	.112	.159	.148	.158	.142	.157	.149
41 – 45	.173	.152	.178	.168	.162	.152	.154	.166
46 – 50	.151	.143	.150	.150	.138	.122	.127	.117
51 – 57	.181	.171	.189	.172	.178	.112	.168	.105
58 – 62	.019	.010	.014	.008	.026	.007	.032	.006
lmpairment of health or disabled	.147	.130	.101	.087	.185	.147	.118	.108
Nationality								
German without migration background	.898	.951	.901	.952	.713	.806	.717	.832
German with migration background	.024	.020	.029	.018	.058	.061	.059	.057
Turkish	.024	.007	.019	.005	.084	.042	.072	.030
Soviet Union	.016	.011	.021	.015	.026	.022	.043	.024
Other foreigners	.038	.011	.031	.010	.120	.068	.110	.056
Family background								
No partner	.588	.640	.521	.573	.592	.657	.614	.759
Partner, not married	.115	.114	.115	.114	.066	.075	.068	.082
No children	.749	.786	.480	.487	.738	.787	.605	.637
One or two children	.212	.185	.445	.450	.200	.164	.334	.320
Three or more children	.039	.029	.075	.062	.062	.050	.062	.043
Child under 3	.013	.013	.007	.004	.015	.016	.012	.005
Education / training								
No secondary school qualification / no voc.training	.135	.120	.132	.072	.233	.225	.293	.177
Secondary school, no voc. training	.117	.134	.113	.103	.273	.305	.276	.291
Secondary school, voc. training	.289	.325	.203	.222	.292	.296	.190	.240
Intermediate school leaving certificate, no voc. training	.046	.049	.063	.060	.036	.041	.054	.063
Intermediate school leaving certificate, voc. training	.351	.327	.432	.491	.080	.075	.105	.142
Upper secondary school leaving certificate, no voc. training	.010	.007	.008	.005	.021	.014	.019	.018
Upper secondary school leaving certificate, voc. training	.024	.020	.024	. 026	.035	.027	.034	.041
Upper secondary school leaving certificate, university degree	.028	.018	.025	.020	.030	.017	.030	.029

	East				West			
	Men		Women		Men		Women	
	NP	P	NP	P	NP	P	NP	P
Cumulated duration of unemployment, 02/2000 to 01/2005								
0 to 6 months	.056	.039	.089	.052	.092	.076	.308	.170
7 to 12 months	.047	.054	.055	.063	.055	.074	.088	.103
12 to 18 months	.071	.093	.068	.081	.095	.122	.099	.137
19 to 30 months	.192	.218	.155	.177	.229	.258	.178	.246
31 to 36 months	.113	.126	.093	.103	.114	.122	.074	.094
37 to 48 months	.519	.469	.539	.523	.415	.347	.253	.249
Out-of-labour force during last 5 years								
Lag > = 30days	.475	.477	.466	.422	.593	.617	.731	.682
Cumulated duration of UI ben. receipt from 02/2000 to 01/2005								
0 months	.283	.222	.378	.292	.335	.284	.526	.376
1 to 6 months	.196	.194	.235	.247	.161	.191	.129	.179
7 to 12 months	.296	.327	.257	.304	.319	.346	.230	.317
13 to 18 months	.144	.172	.084	.111	.118	.129	.070	.089
> 18 months	.082	.084	.046	.047	.067	.050	.045	.039
UI ben. receipt, Dec. 31st 2004	.045	.033	.040	.036	.028	.029	.040	.044
UA ben. receipt, Dec. 31st 2004	.769	.794	.721	.777	.734	.721	.457	.592
Cumulated duration of regular employment 01/2000 to 12/2004								
0 months	.438	.447	.611	.602	.363	.327	.515	.405
1 to 6 months	.165	.197	.120	.143	.131	.170	.099	.138
7 to 12 months	.104	.115	.074	.082	.102	.116	.076	.098
13 to 18 months	.106	.106	.077	.079	.124	.140	.100	.142
19 to 24 months	.057	.052	.037	.033	.086	.084	.063	.072
25 to 30 months	.046	.037	.028	.026	.071	.066	.052	.056
31 to 42 months	.056	.036	.034	.027	.093	.078	.064	.069
43 to 60 months	.027	.010	.018	.008	.030	.019	.30	.020
Interaction terms with age below 25								
under 25, no voc. training	.046	.122	.041	.071	.060	.167	.076	.153
under 25, no reg. emp.	.045	.125	.054	.118	.041	.099	.066	.128
under 25, up to 12 months regular employment	.025	.090	.016	.046	.023	.079	.019	.063
under 25, more than 12 months regular employment	.009	.032	.007	.018	.016	.049	.013	.041
ALMP participation in the last five years								
Job creation schemes	.248	.355	.231	.352	.058	.132	.026	.071
Private employment subsidy	.100	.091	.074	.071	.067	.070	.030	.045
Short-term training (classroom)	.303	.344	.331	.387	.301	.387	.226	.345
Short-term training (practical)	.096	.113	.065	.085	.083	.126	.042	.092
Startup subsidy	.025	.014	.013	.009	.034	.021	.013	.011
Number of ALMPs in last five years								
No programme participation	.303	.190	.324	.194	.398	.257	.565	.356
One	.273	.264	.276	.265	.277	.281	.226	.272
Two	.206	.246	.202	.253	.167	.203	.113	.179
Three or more	.217	.300	.198	.288	.158	.259	.095	.194

Table 5 continued: Variable means for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	NP	P	NP	P	NP	P	NP	P
Industry of last contributory job								
No job	.105	.130	.179	.159	.139	.148	.338	.247
Job with missing sector	.126	.071	.174	.115	.142	.079	.125	.086
Agriculture, forestry, fishing, mining, energy and water supply	.062	.077	.052	.057	.019	.028	.005	.005
Food and tobacco	.008	.007	.015	.012	.015	.014	.021	.019
Wood, paper, publishing, printing	.006	.006	.005	.005	.015	.013	.009	.009
Chemical industry, engineering, vehicle construction	.009	.008	.004	.005	.028	.023	.010	.010
Manufacturing	.045	.043	.024	.027	.074	.064	.038	.041
Construction	.166	.127	.026	.023	.098	.082	.008	.009
Wholesale trade and car sales	.024	.018	.015	.014	.049	.038	.026	.025
Retail trade and hotels / restaurants	.047	.030	.108	.077	.069	.051	.114	.114
Transport and communication	.037	.029	.013	.011	.057	.042	.016	.015
Business services	.127	.130	.086	.084	.160	.192	.120	.141
Public adminstration, defence, social security agencies	.049	.078	.065	.101	.028	.064	.020	.035
Education	.050	.070	.057	.077	.023	.039	.024	.045
Health care, veterinarian and social services	.027	.041	.067	.094	.033	.060	.071	.125
Other services	.110	.134	.110	.139	.052	.061	.055	.072
Last occupational status								
Blue-collar worker	.333	.339	.209	.199	.503	.555	.240	.288
Skilled worker / foreman	.309	.255	.124	.116	.177	.138	.037	.041
White-collar worker	.094	.076	.196	.196	.112	.079	.176	.201
Part-time	.159	.199	.292	.330	.069	.080	.209	.222
No job yet	.105	.130	.179	.159	.139	.148	.338	.247
Firm size of last contributory job								
1 to 20 employees	.281	.224	.214	.193	.298	.250	.208	.210
21 to 50 employees	.134	.134	.099	.115	.134	.146	.096	.117
51 to 100 employees	.113	.127	.102	.116	.112	.135	.089	.120
101 to 400 employees	.210	.247	.231	.260	.173	.195	.151	.186
> 400 employees	.113	.104	.141	.131	.107	.098	.093	.096
Missing	.045	.034	.034	.026	.038	.029	.025	.024
No job yet	.105	.130	.179	.159	.139	.148	.338	.247
Last regular monthly real wage (deflated with CPI, 2000 = 100)								
Zero	.031	.018	.049	.031	.051	.030	.075	.053
> 0 to 500 €	.046	.048	.055	.050	.046	.056	.065	.074
>500 to 1000 €	.244	.308	.319	.341	.117	.159	.174	.215
> 1000 to 1500 €	.362	.354	.309	.346	.230	.288	.187	.237
> 1500 to 2000 €	.143	.102	.061	.053	.224	.195	.101	.120
> 2000 €	.070	.039	.028	.020	.194	.124	.060	.055

	East				West			
	Men		Women		Men		Women	
	NP	P	NP	P	NP	P	NP	P
Time since end of last contributory job								
1 to 6 months	.130	.141	.086	.110	.093	.132	.076	.105
7 to 12 months	.083	.105	.062	.090	.067	.094	.053	.083
13 to 36 months	.299	.341	.246	.288	.323	.344	.240	.313
37 to 48 months	.111	.102	.103	.106	.117	.107	.080	.083
> 48 months	.271	.181	.325	.248	.261	.174	.213	.169
No job	.105	.130	.179	.159	.139	.148	.338	.247
Average duration of contributory jobs between 01 / 2000 and 12 / 2004								
1 to 6 months	.258	.289	.176	.198	.235	.292	.161	.221
7 to 12 months	.237	.280	.196	.251	.202	.239	.146	.200
13 to 18 months	.125	.122	.131	.152	.117	.115	.097	.129
19 to 24 months	.038	.033	.032	.033	.052	.042	.039	.042
25 to 36 months	.033	.023	.031	.030	.046	.034	.038	.031
37 to 60 months	.019	.010	.017	.009	.025	.018	.023	.016
Missing	.184	.111	.239	.169	.184	.111	.157	.114
No job	.105	.130	.179	.159	.139	.148	.338	.247
Number of contributory jobs in last five years								
No job or missing	.289	.242	.417	.328	.323	.259	.495	.361
One	.399	.426	.396	.436	.363	.391	.295	.360
Two	.231	.253	.150	.191	.221	.250	.150	.195
Three or more	.081	.079	.037	.045	.093	.100	.060	.085
Minor employment, Jan. 31st 2005	.085	.044	.146	.078	.101	.051	.143	.079
Partner's cumulated duration of unemployment, 01 / 2000 to 12 / 2004								
None	.100	.084	.099	.086	.178	.132	.065	.035
1 to 12 months	.078	.071	.083	.076	.125	.126	.080	.057
13 to 60 months	.055	.050	.075	.075	.044	.041	.070	.053
25 to 30 months	.025	.022	.037	.037	.014	.012	.036	.024
31 to 36 months	.025	.023	.039	.036	.012	.009	.033	.019
37 to 42 months	.025	.021	.039	.035	.009	.007	.028	.015
43 to 60 months	.106	.091	.107	.082	.025	.015	.073	.039
No partner	.588	.640	.521	.573	.592	.657	.614	.759
No secondary school qualification / no vocational training	.044	.032	.044	.033	.101	.082	.082	.048
Lower secondary school, no vocational training	.052	.048	.049	.041	.072	.072	.096	.065
Lower secondary school, vocational training	.055	.054	.097	.093	.027.	.025	.067	.052
Intermediate or upper school leaving certificate, vocational training or university degree	.116	.101	.127	.119	.027	.023	.034	.022
No partner	.588	.640	.521	.573	.592	.657	.614	.759
Partner ID missing	.052	.046	.062	.052	.061	.044	.038	.018

Table 5 continued: Variable means for men and women in eastern and western Germany

	East				West			
	Men		Women		men		Women	
	NP	P	NP	P	NP	P	NP	P
Missing	.094	.079	.100	.089	.120	.098	.069	.036
Partner unemployed, Jan. 31st 2005	.213	.183	.250	.218	.160	.140	.231	.148
Regional information								
Local unempl. rate in Jan. 2005	22.96	22.63	23.03	22.86	13.12	12.57	13.23	12.74
%age change in local unempl. rate in January 2005	8.34	8.23	8.28	8.13	14.92	14.39	16.59	14.94
Percentage of LTU in January 2005	39.97	39.52	40.12	39.87	33.76	32.09	32.83	32.10
%age change of percentage of LTU in Jan. 2005	–2.99	–3.09	–2.68	–3.00	–.07	.34	–1.25	–.01
Vacancy-unemployment ratio in January 2005	.01	.01	.01	.01	.04	.04	.04	.04
%age change vacancy-unemployment ratio in January 2005	–10.95	–9.26	–10.53	–9.85	–7.89	–7.87	–9.70	–8.34
Cities in western Germany with average labour market conditions	–	–	–	–	.180	.156	.186	.173
Cities in western Germany with above-average labour market conditions	–	–	–	–	.051	.055	.050	.062
Rural areas in western Germany with average LM conditions	–	–	–	–	.186	.214	.166	.200
Rural areas in W. G. with above average LM conditions and high seasonal dynamics	–	–	–	–	.042	.101	.052	.089
Rural areas in W. G., very favourite LM cond., seasonal dynamics and low LTU	–	–	–	–	.041	.063	.049	.058
Rural areas in W. G., very favourite LM cond. and low LTU	–	–	–	–	.088	.112	.090	.112
Urban areas with average labour market conditions	.007	.019	.007	.016	.173	.141	.173	.140
Rural areas with below average LM conditions	.082	.129	.085	.120	.035	.036	.035	.039
Rural areas in East Germany with severe LM conditions	.297	.366	.311	.359	–	–	–	–
Rural areas in East Germany with very severe LM conditions	.166	.148	.179	.172	–	–	–	–
Looking for part-time job	–	–	.070	.046	–	–	.229	.176

* NP: non-participants, P: participants.

Table 6

Probit estimates for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE
Reference transitional probability	.0886		.1035		.0868		.0280	
Age in years	(reference is 15 to 20 years)							
21 – 24	–.0065	.0050	–.0036	.0057	–.0045	.0040	–.0018	.0018
25 – 30	–.0778***	.0099	–.0889***	.0109	–.0590***	.0070	–.0201***	.0040
31 – 35	–.0747***	.0095	–.0857***	.0106	–.0589***	.0070	–.0202***	.0040
36 – 40	–.0738***	.0095	–.0846***	.0105	–.0581***	.0069	–.0194***	.0039
41 – 45	–.0718***	.0093	–.0848***	.0105	–.0576***	.0069	–.0185***	.0038
46 – 50	–.0716***	.0092	–.0834***	.0104	–.0591***	.0070	–.0204***	.0041
51 – 57	–.0734***	.0094	–.0856***	.0106	–.0661***	.0074	–.0226***	.0044
58 – 62	–.0801***	.0102	–.0933***	.0115	–.0767***	.0083	–.0260***	.0050
Impairment of health or disabled	–.0068***	.0020	–.0117***	.0028	–.0125***	.0018	–.0046***	.0012
Nationality	(reference is German)							
German with migration background	–.0095**	.0044	–.0210***	.0050	–.0081***	.0025	–.0019	.0014
Turkish	–.0498***	.0065	–.0499***	.0076	–.0412***	.0041	–.0134***	.0025
Former Soviet Union	–.0049	.0057	.0011	.0062	–.0116***	.0037	–.0088***	.0021
Other Foreigners	–.0449***	.0057	–.0356***	.0059	–.0337***	.0034	–.0106***	.0020
No partner	.0021	.0052	.0079	.0062	–.0058*	.0031	.0157***	.0035
Partner, not married	–.0042*	.0025	–.0008	.0028	–.0034	.0025	.0119***	.0025
Children	(reference is no child)							
One or two children	.0009	.0019	.0129***	.0024	–.0032*	.0018	.0011	.0009
Three or more children	–.0057	.0037	.0080**	.0037	–.0004	.0028	.0003	.0016
Child under three	–.0027	.0062	–.0424***	.0086	–.0029	.0048	–.0158***	.0033

Table 6 continued: Probit estimates for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE
Vocational education / training	(reference is no secondary school qualification / no vocational training)							
Lower secondary school, no vocational training	.0058**	.0029	.0230***	.0045	.0001	.0017	.0055***	.0014
Secondary school, vocational training	.087***	.0027	.0364***	.0048	–.0008	.0018	.0072***	.0016
Intermediate school leaving certificate, no vocational training	–.0014	.0037	.0238***	.0052	–.0031	.0031	.0053***	.0019
intermediate school leaving certificate, no vocational training, vocational training	.0014	.0025	.0407***	.0049	–.0060**	.0026	.0070***	.0018
upper secondary school leaving certificate, no vocational training	–.0052	.0073	–.0002	.0102	–.0184***	.0042	.0056*	.0029
upper secondary school leaving certificate, vocational training	.0066	.0052	.0405***	.0079	–.0076**	.0035	.0054**	.0023
upper secondary school leaving certificate, university degree	–.0043	.0049	.0212***	.0071	–.0207***	.0039	.0033	.0023
Cumulated duration of unempl., 02 / 2000 to 01 / 2005	(reference is 0 to 6 months)							
7 to 12 months	.0451***	.0070	.0453***	.0070	.0374***	.0049	.0128***	.0026
12 to 18 months	.0553***	.0076	.0393***	.0068	.0356***	.0047	.0164***	.0031
19 to 30 months	.0480***	.0071	.0407***	.0067	.0302***	.0044	.0173***	.0033
31 to 36 months	.0499***	.0076	.0354***	.0069	.0291***	.0047	.0132***	.0030
37 to 48 months	.0386***	.0066	.0262***	.0060	.0198***	.0041	.0070***	.0021
Out-of-labour force during last year	–.0084***	.0018	–.0067***	.0023	–.0082***	.0016	–.0032***	.0010
Cum. dur. of UI ben. receipt from 02 / 2000 to 01 / 2005	(reference is none)							
1 to 6 months	.0033	.0024	–.0014	.0025	.0034	.0022	–.0002	.0013
7 to 12 months	.0086***	.0027	.0005	.0028	.0063***	.0023	–.0006	.0013
13 to 18 months	.0122***	.0033	.0133***	.0042	.0057**	.0028	–.0015	.0016
> 18 months	.0164***	.0041	.0069	.0050	.0065*	.0035	–.0012	.0020

UI ben. receipt, Dec. 31st 2004	−.0237***	.0043	−.0164***	.0048	−.0120***	.0038	.0029	.0021
UA ben. receipt, Dec. 31st 2004	.0037	.0027	.0175***	.0037	.0002	.0021	.0060***	.0016
Cumulated dur. of regular employment 01/2000 to 12/2004	(reference is none)							
1 to 6 months	.0031	.0028	.0040	.0035	.0110***	.0039	.0012	.0025
7 to 12 months	−.0051*	.0030	−,0061	.0040	.0054	.0040	−.0019	.0024
13 to 18 months	−.0091***	.0033	−.0121***	.0043	.0068	.0043	−.0027	.0025
19 to 24 months	−.0145***	.0040	−.0248***	.0055	.0006	.0046	−.0070***	.0027
25 to 30 months	−.0220***	.0046	−.0258***	.0060	.0002	.0051	−.0093***	.0029
31 to 42 months	−.0322***	.0050	−.0350***	.0063	−.0051	.0052	−.0103***	.0030
43 to 60 months	−.0438***	.0066	−.0484***	.0082	−.0191***	.0059	−.0147***	.0035
Interaction terms with age below 25	(reference is under 25, no regular employment)							
Under 25, no voc. training	−.0066	.0045	−.0182***	.0056	.0029	.0041	−.0029	.0021
Under 25, up to 12 months regular employment	−.0074	.0052	−.0242***	.0065	−.0115***	.0045	−.0032	.0023
Under 25, more than 12 months regular employment	−.0061	.0067	−.0337***	.0079	−.0126***	.0048	−.0033	.0024
ALMP participation in the last 5 years								
Job creation schemes	.0065**	.0027	.0099***	.0038	.0190***	.0037	.0068**	.0027
Private employment subsidy	−.0205***	.0030	−.0272***	.0039	−.0153***	.0026	−.0055***	.0018
Short-term training (classroom)	−.0057***	.0018	−.0061***	.0021	.0021	.0016	−.0001	.0009
Short-term training (practical)	−.0069***	.0024	−.0043	.0032	.0026	.0021	.0030*	.0016
Start-up subsidy	−.0282***	.0046	−.0390***	.0066	−.0315***	.0037	−.0137***	.0029
Number of ALMPs in last five years	(reference is none)							
One	.0224***	.0032	.0294***	.0039	.0264***	.0029	.0105***	.0020
Two	.0384***	.0047	.0502***	.0057	.0355***	.0038	.0166***	.0030
Three and more	.0492***	.0058	.0619***	.0069	.0548***	.0052	.0232***	.0041
Industry of last contributory job	(reference is manufacturing)							
Job with missing sector	−.0059	.0047	−.0171***	.0062	−.0023	−.0041	−.0012	.0026
Agriculture, forestry, fishing, mining, energy and water supply	.0039	.0041	−.0183***	.0059	.0361***	.0059	−.0041	.0043

Table 6 continued: Probit estimates for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE
Food and tobacco	.0036	.0084	–.0222***	.0077	.0024	.0053	–.0035	.0026
Wood, paper, publishing, printing	.0105	.0095	–.0090	.0114	–.0019	.0051	.0002	.0037
Chemical industry, engineering, vehicle construction	.0013	.0077	.0132	.0139	.0005	.0042	–.0016	.0033
Construction	–.0123***	.0037	–.0208***	.0067	.0001	.0030	.0031	.0041
Wholesale trade and car sales	–.0090*	.0053	–.0047	.0080	–.0052	.0036	–.0028	.0024
Retail trade and hotels / restaurants	–.0146***	.0046	–.0271***	.0059	–.0083**	.0033	–.0011	.0019
Transport and communication	–.0057	.0047	–.0159**	.0080	–.0093***	.0033	–.0029	.0028
Business services	–.0036	.0037	–.0077	.0056	.0065**	.0028	.0020	.0019
Public adminstration, defence, social security agencies	.0262***	.0053	.0196***	.0062	.0589***	.0064	.0114***	.0035
Education	.0034	.0044	–.0003	.0059	.0348***	.0056	.0126***	.0034
Health care, veterinarian and social services	.0224***	.0058	.0116*	.0059	.0433***	.0055	.0142***	.0030
Other services	.0105***	.0040	.0015	.0055	.0168***	.0038	.0049***	.0023
Last occupational status	(reference is blue-collar worker)							
Skilled worker / foreman	–.0062***	.0018	.0014	.0029	–.0089***	.0018	–,0027	.0017
White-collar worker	–.0072***	.0027	–.0010	.0027	–.0165***	.0024	–.0050***	.0012
Part-time	–.0048**	.0021	.0042*	.0024	–.0006	.0024	–,0029***	.0010
No job yet	.0177**	.0077	–.0226**	.0089	.0164***	.0063	.0026	.0035
Firm size of last contributory job	(reference is 1 to 20 employees)							
21 to 50 employees	.0025	.0023	.0079**	.0032	.0081***	.0021	.0028**	.0013
51 to 100 employees	.0034	.0025	.0029	.0031	.0102***	.0023	.0053***	.0016
101 to 400 employees	.0031	.0021	.0006	.0026	.0061***	.0020	.0037***	.0013
> 400 employees	–.0047*	.0026	–.0033	.0030	.0047*	.0024	.0022	.0014
Missing	–.0018	.0035	–.0072	.0047	–.0024	.0033	–.0004	.0021

Last regular monthly real wage (deflated with CPI, 2000 = 100)	(reference is zero)								
> 0 to 500 €	.0162***	.0058	.0093*	.0056	.0227***	.0047	.0074***	.0023	
> 500 to 1000 €	.0289***	.0052	.0144***	.0045	.0278***	.0042	.0077***	.0020	
> 1000 to 1500 €	.0218***	.0048	.0183***	.0046	.0282***	.0039	.0075***	.0019	
> 1500 to 2000 €	.0143***	.0049	.0063	.0054	.0168***	.0035	.0074***	.0021	
> 2000 €	.0039	.0052	–.0001	.0065	.0077**	.0035	.0018	.0020	
Time since end of last contributory job	(reference is 1 to 6 months)								
7 to 12 months	.0070**	.0031	.0030	.0040	.0034	.0028	.0000	.0016	
13 to 36 months	.0105***	.0026	–.0080**	.0033	–.0002	.0022	–.0005	.0013	
37 to 48 months	.0008	.0030	–.0125***	.0039	–.0056**	.0027	–.0052***	.0017	
> 48 months	–.0023	.0033	–.0155***	.0043	–.0123***	.0033	–.0054***	.0021	
Average duration of contributory jobs between 01/2000 and 12/2004	(reference is 1 to 6 months)								
7 to 12 months	.0102***	.0025	.0070**	.0030	.0023	.0021	.0020	.0014	
13 to 18 months	.0087***	.0032	.0124***	.0040	–.0035	.0027	.0044**	.0021	
19 to 24 months	.0177***	.0053	.0238***	.0069	–.0033	.0037	.0055*	.0030	
25 to 36 months	.0085	.0056	.0291***	.0078	–.0056	.0043	.0006	.0029	
37 to 60 months	.0321***	.0096	.0227**	.0113	.0016	.0060	.0027	.0041	
Number of contributory jobs in last 5 years	(reference is none)								
One	–.0005	.0043	–.0057	.0050	–.0094**	.0047	–.0001	.0031	
Two	.0064	.0052	.0100	.0066	–.0081	.0052	.0000	.0035	
Three or more	.0086	.0061	.0186**	.0087	–.0080	.0056	.0051	.0042	
Minor employment, Jan. 31st 2005	–.0382***	.0044	–.0506***	.0054	–.0376***	.0037	–.0153***	.0027	
Partner's cum. dur. of unemployment, 01/2000 to 12/2004	(reference is none)								
1 to 12 months	.0089**	.0045	.0027	.0052	.0099***	.0033	.0024	.0028	
13 to 24 months	.0106**	.0050	.0100*	.0056	.0052	.0040	.0032	.0030	

Table 6 continued: Probit estimates for men and women in eastern and western Germany

	East				West			
	Men		Women		Men		Women	
	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE	marg. eff.	SE
Partner's cum. dur. of unemployment, 01/2000 to 12/2004	(reference is none)							
25 to 30 months	.0076	.0060	.0121*	.0066	.0024	.0059	.0017	.0033
31 to 36 months	.0158**	.0065	.0049	.0064	–.0053	.0061	.0005	.0034
37 to 42 months	.0052	.0061	.0069	.0065	–.0009	.0072	–.0004	.0034
43 to 60 months	.0020	.0048	–.0025	.0055	–.0066	.0050	.0021	.0031
Partner education / training	(reference is no secondary school qualification / no vocational training)							
Lower secondary school, no vocational training	.0026	.0046	–.0001	.0056	.0012	.0030	.0001	.0018
Lower secondary school, vocational training	.0047	.0047	.0011	.0050	–.0044	.0041	.0020	.0020
Intermediate or upper school leaving certificate, vocational training or higher education	.0000	.0041	.0002	.0048	–.0035	.0042	–.0014	.0023
Partner ID is missing	.0036	.0059	–.0127*	.0068	–.0120***	.0037	–.0070**	.0033
Partner ID available but partner education is missing	–.0053	.0047	–.0088	.0054	–.0120***	.0031	–.0067***	.0024
Partner unemployed, Jan. 31st 2005	–.0027	.0032	–.0046	.0034	–.0053*	.0030	–.0020	.0017
Proportion of childcare under 3	.0002***	.0001	.0001*	.0001	.0035***	.0002	.0005***	.0001
Regional variables (district level)								
Local unempl. rate in January 2005	–.0015***	.0004	–.0011**	.0004	.0018***	.0003	.0015***	.0002
%age change in local unemployment rate in January 2005	–.0008***	.0002	–.0013***	.0002	–.0010***	.0001	–.0004***	.0001
Percentage of LTU in January 2005	.0000	.0002	.0004	.0003	–.0009***	.0001	–.0005***	.0001
%age change of percentage of LTU in January 2005	–.0014***	.0001	–.0024***	.0002	–.0001	.0001	.0001	.0001
Vacancy-unemployment ratio in January 2005	.4804***	.1226	.5998***	.1395	–.0976***	.0265	–.0135	.0146
%age change vacancy-unemployment ratio in January 2005	.0000	.0000	.0000	.0000	.0001***	.0000	.0000*	.0000
Labour market types (Rüb and Werner, 2007)	(reference is Cities with below average LM conditions, high LTU)							

Cities in western Germany with average LM conditions							.0164***	.0030	.0131***	.0025
Cities in western Germany with above average LM conditions							.0531***	.0059	.0267***	.0048
Urban areas with average LM conditions	.1098***	.0151	.0814***	.0148			.0288***	.0034	.0122***	.0024
Rural areas in western Germany with average LM conditions							.0634***	.0058	.0304***	.0049
Rural areas with below average LM conditions	.0489***	.0053	.0453***	.0053			.0315***	.0051	.0157***	.0036
Rural areas in eastern Germany with average LM conditions	.0327***	.0038	.0240***	.0035						
Rural areas in eastern Germany with very severe LM conditions	.0106***	.0039	.0077*	.0042						
Rural areas in W. G. with above average LM conditions and high seasonal dynamics							.1455***	.0109	.0455***	.0072
Rural areas in W. G., very favourite LM conditions, seasonal dynamics and low LTU							.1020***	.0095	.0311***	.0058
Rural areas in W. G., very favourite LM conditions and low LTU							.0957***	.0085	.0374***	.0062
Looking for part-time job			–.0095***	.0034					–.0056***	.0012
AIC	37,642		33,990				38,773		18,552	
BIC	38,760		35,100				39,980		19,716	
Number of Observations	82,634		71,088				124,080		81,791	
Log of the Likelihood	–18,701		–16,874				–19,263		–9,151	
Pseudo R^2	.0753		.0666				.0807		.0836	

$^*p < 0.1$, $^{**}p < 0.05$, $^{***}p < 0.01$.

Table 7

Results of Regression Decomposition (grouped variables)

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

Decomposition Base	East		West		Pooled	
	pp	%	pp	%	pp	%
Total explained	2.72[1]	61.96%	–2.39[1]	57.89%	2.54[1]	54.60%
Explained effect due to:						
Age	–1.03	–23.46%	–0.28	6.38%	–0.82	–18.7%
Interaction terms with age	0.25	5.81%	0.00	–0.03%	0.24	5.4%
Nationality	0.41	9.43%	–0.16	3.72%	0.38	8.7%
Single	–0.08	–1.74%	0.03	–0.71%	–0.20	–4.5%
Children	0.19	4.27%	–0.02	0.38%	0.12	2.8%
Qualification level	0.68	15.51%	–0.12	2.63%	0.49	11.2%
Health status	0.01	0.22%	–0.03	0.57%	0.01	0.2%
Former unemployment	0.23	5.20%	–0.01	0.23%	0.13	3.0%
Formerly out-of-labour-force	0.16	3.73%	–0.07	1.56%	0.19	4.4%
Former benefit receipt	0.33	7.45%	–0.10	2.23%	0.29	6.6%
Unemployment benefit receipt 31 st December 2004	0.32	7.21%	–0.10	2.29%	0.29	6.6%
Former employment	0.29	6.60%	–0.21	4.77%	0.32	7.2%
Former ALMPs	0.83	19.01%	–0.58	13.23%	0.92	21.0%
Last job	0.52	11.81%	–0.16	3.62%	0.47	10.6%
Minor Employment	0.18	4.01%	0.05	–1.24%	0.17	3.9%
Partner information	0.00	–0.06%	0.04	–0.91%	0.03	0.6%
Child-care facilities	0.23	5.29%	–0.78	17.75%	0.09	2.1%
Regional information	–0.59	–13.46%	0.11	–2.58%	–0.42	–9.6%
Looking for part-time job	0.10	2.30%	–0.13	3.01%	0.13	2.9%

[1] These figures are in percentage points (pp).