

## **Job Search, Transition to Employment and Discouragement among Older Workers**

December, 2018

II Open Russian Statistical Congress

Rostov-on-Don

**Dr. Anton Nivorozhkin**

- Older workers are prepared and expect to work longer than previous cohorts
  - dramatic gains in longevity and health (Milligan and Wise, 2015; Boersch-Supan and Juerges, 2012)
  - higher work capacity (Cutler et al., 2014; Jürges et al., 2017;)
- Longer working lives can
  - ease the economic and fiscal effects of population ageing (OECD 2006; Maestas and Zissimopoulos, 2010; European Commission, 2014)
  - contribute to a higher well-being of older workers and result in a better health (Rohwedder and Willis, 2010; Behncke, 2011).

- Once older workers are unemployed they face difficulties in finding a new job
  - institutional factors
  - individual barriers in transition to employment
- Low reemployment chances result in
  - prolonged unemployment duration
  - increase in economic insecurity
  - permanent exit from the labour market or discouragement to continue job search (Hoffmann and Lemieux, 2016)
- **A person is discouraged if she/he stopped job search after unsuccessful efforts to find a job**

- Since 2005 two types of income support have been available to unemployed people in Germany
  - Time limited unemployment benefits related to previous earnings and work experience
  - **Time unlimited welfare benefits** for people ineligible to receive unemployment benefits with households income below official poverty threshold
  
- Unemployed recipients of welfare benefits should be available for employment and actively search for a job
  - unemployed people with serious health issues, people taking care of other members of the household (e.g. children or older people) maybe exempted from the obligation to search for a job

- *Stock sample* of unemployed welfare recipients in Germany covered by the Panel Study “Labour Market and Social Security” (PASS)
- The PASS is a longitudinal survey collected on a yearly basis since 2006 and covers approximately 10 thousand households (Trappmann et al., 2013)
- The survey is specifically designed for research on the labour market and poverty in Germany
- Sample of individuals aged 44 to 63 that were receiving welfare benefits, were unemployed, and were obliged to search for a job in year  $t$  and were observed at  $t+1$
- 3,159 men and women

# Factors that influence transition to employment: Descriptive evidences



- ~ 30% of unemployed reported not to search for a job in four weeks preceding the interview
  - 13% transitioned to employment within a year in a group of job searchers and 6% experienced the transition in the group of non-searchers
- Compared to non-searchers the group of job searchers had:
  - less people from the East Germany, women, relatively older people and people with migration background
  - tended to live in couple households and have children
  - have higher levels of education and income and were in a better health
  - had a stronger attachment to the labour market as measured by the duration since last employment and were more likely to be employed in the white-collar occupations

# Factors that influence transition to employment: Regression results



- Pooled logit model accounting for longitudinal weights
- Controlling for other characteristics participation in job search increases probability of transition to employment. The marginal effect is equal to ~4%
- Participation in job search is not a *silver bullet* to find employment, other variables, for example employment history and time since last job, have larger effects on the probability to move from unemployment to employment

# What happened to people that were searching for a job but were not able to find a job?

Table 3: Evidence of Potentially Discouraged Workers

	N	Percentage, weighted	N	Percentage, weighted
Job searchers at time t	1,857	100		
Found a job	234	10		
Continue search	1,077	61		
Do not search	546	29		
No obligations to search	209	37		
Obligated to search for a job	334	63		100
Health shock		2.2	48	13
High reservation wage		3.6	68	21
Low search intensity		0.5	9	2.7
Positive income shock		0.6	10	3.2
Care obligations		0.6	14	3.2
<b>None (Discouraged unemployed?)</b>		<b>10.9</b>	<b>212</b>	<b>63</b>



# Discouraged unemployed vs. unemployed that transitioned to employment



- Discouraged workers are more likely to be:
  - male
  - older
  - have a migrant background
  - have lower levels of education, income and lower labour market attachment
  - have higher incidence of mental health problems
- Attitudes to work

	Discouraged	Employed
Commuting time of one hour or more?	61.51	65.46
A low income?	52.43	59.64
Unfavourable working hours?	62.12	73.22
A job that is below your skill-level?	83.10	78.91
Burdens at the workplace such as noise, dirt or strenuous physical work?	49.92	51.48
Changing your residence?	25.44	22.85

# What policies encourage continuing job search?



- Continuing job search appears to depend critically on the work of a caseworker

No contact to the job centre	0.022
	[-0.124,0.168]
The job centre employees were patronising me	-0.0466
	[-0.145,0.0520]
I had no opportunity to state my own expectations during the conversation	0.022
	[-0.124,0.168]
The job centre employees have discussed in detail with me how I can improve my chances in the labour market	0.0252
	[-0.0545,0.105]
I had the feeling that I can trust the employees	-0.0173
	[-0.0996,0.0651]
They only made demands instead of really helping me	0.0726
	[-0.0239,0.169]
<b>The job centre employees helped me to develop a new perspective</b>	<b>0.0763*</b>
	[0.00162,0.151]
	]
If the job centre employees meet their obligations towards me, I'm also willing to meet my obligations with respect to the	0.0974
	[-0.0459,0.241]
If the job centre employees treat me unfairly, then I will refuse to cooperate with them	0.0122
	[-0.0933,0.118]

- Participation in job search is not a *silver bullet*, we have shown that employment barriers such as erratic employment histories and poor health maybe even more important in transitions to employment
- Development of re-employment policy should address both: objective barriers to employment and attitudes of job seekers to encourage their participation in job search and facilitate transition to employment