Non-Take-Up of Social Assistance in Germany – A Longitudinal Perspective

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Relevance of non-take-up of social benefits
- Recent literature reports substantial non take-up (NTU) of social assistance (SA) in modern welfare states (Bargain et al. 2007 for Finland, Mood 2006 for Australia, Fuchs 2007 for Austria, Frick/Groh-Samberg 2007 for Germany, van Oorschot 1991, 1998).
- Challenge for social policy: indicating severe weaknesses of the (means-tested) social security net, which fails to provide minimum living conditions for all.
- The assumption of 100% take-up of social benefits, underlying most social policy simulations, yields biased estimates of social policy reform effects.
- Explaining non take-up behavior still remains a puzzle for the social and economic theory of (rational) action: Why do people in poverty refrain from claiming SA?

Motivation for Longitudinal Analysis of non-take-up
- Longitudinal analysis of non-take-up provides new insights in the mechanism driving the take-up decision.
- NTU behavior has been found to depend on a) the expected utility from claiming SA and b) the “costs” of claiming SA (in terms of stigma, informational, administrative and other personal barriers). Both factors are dynamic in their very nature.
- We can also learn more about measurement error from longitudinal analysis.

Simulating Eligibility – Data & Methods

- German Social Assistance Scheme (1963-2004): - means-tested last safety net (subsidiarity principle)
- only “regular support for living expenses” (HLE) considered
- Data Source: German Socio-Economic Panel Study (SOEP), waves 2001, 2002 and 2003 (~11,000 hh per wave)
- Information on incomes, needs and SA receipt for the month of interview
- Wealth check using individual wealth data from SOEP wave 2002 and yearly qualitative information on income from capital
- Detailed analysis of potential measurement error at the level of survey information as well as at the level of the simulation model

Descriptive Results

Eligibility, Non-Take-Up and Beta Error (2001-2003)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>Non Take-Up Rate (in % of all HH simulated as eligible for SA)</td>
<td>61.3</td>
<td>64.2</td>
<td>64.0</td>
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<tr>
<td>Beta Error Rate (HH simulated as non eligible in % of all HH with SA receipt)</td>
<td>10.2</td>
<td>12.5</td>
<td>10.9</td>
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<tr>
<td>Eligible HH (in % of all HH)</td>
<td>4.7</td>
<td>5.2</td>
<td>5.8</td>
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Source: SOEP, waves 2001-2003, unbalanced panel; weighted results


<table>
<thead>
<tr>
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<th>Persons in %</th>
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<tbody>
<tr>
<td>(1a) permanent non-eligible</td>
<td>2929</td>
</tr>
<tr>
<td>(1b) permanent SA receipt</td>
<td>304</td>
</tr>
<tr>
<td>(1c) permanent non-take-up</td>
<td>150</td>
</tr>
<tr>
<td>(2a) changes between non-eligible and non-take-up</td>
<td>996</td>
</tr>
<tr>
<td>(2b) changes between non-eligible and SA receipt</td>
<td>348</td>
</tr>
<tr>
<td>(2c) changes between non-take-up and SA receipt</td>
<td>201</td>
</tr>
<tr>
<td>(2d) changes between all three states</td>
<td>76</td>
</tr>
</tbody>
</table>

Total 23073 | 100

Source: SOEP, waves 2001-2003, balanced panel; weighted results

Regression Analysis & Conclusion

Regression Models

**Dependent variable:** non-take-up (vs. take-up) of SA in 2003, given simulated eligibility

**RHS-variables:** household characteristics (indicating neediness of SA as well as potential stigma and claiming costs), direct measures of neediness (material deprivation) and utility from claiming (simulated amount of SA claim), history of eligibility and take-up (typology)

**Conclusion**

- Strong impact of the individual history of eligibility and take-up on current non-take-up behavior. This might indicate that non-take-up of SA is rooted to a large extent in personal “traits”.
- Strong effects for the “needs”-proxies, measuring the degree of deprivation and the (simulated) amount of SA claims.
- Explanatory power of additional household characteristics close to zero.
- Thus, non-take-up behavior seems to be a composite effect of personal traits against claiming SA and the degree of need for welfare state support in order to maintain minimum standards of living conditions.

**Outlook**

- Employing panel regression models and other techniques (markov chains, sequence analysis)