

Unemployed – and Unwilling to Work?

It is frequently claimed that the unemployed are not sufficiently willing to work. The Socio-Economic Panel (SOEP) examined the accuracy of this assertion using its own survey data. In fact, most of those who are registered unemployed – about 80% – are available for work; one-fifth do not want to take up any further employment at all. Labour market dissociation is particularly strong among the older unemployed – this is partly due to their resignation in light of their poor employment prospects, but also due to wrong incentives provided by the social insurance system. Unemployment is frequently regarded by this group as a transitional stage towards legal retirement age. Among the younger unemployed, 90% would take up work immediately if they were offered a position.

Then there are those registered unemployed who show very little inclination for immediate employment take-up. In addition to those who are unemployed on the grounds of ill health, this includes, in particular, women with children in the old German states. For them, too, unemployment is a transitional stage.

Lacking readiness to seek employment is thus, above all, the result of limitations on access to the labour market: on the one hand, childcare provision is lacking; on the other, the incentives to early retirement are too strong.

At almost regular intervals – indeed, usually following a strong rise in unemployment¹ – the debate arises in Germany about whether the unemployed are willing to work or are taking advantage of the social security system. The results of a public opinion poll show that an ever growing share of the population feels that many unemployed people do not actually want to work.² Such remarks camouflage an uncertainty regarding the causes of unemployment.³

Without a doubt, the effect of these 'lazybones debates' is that the extent of unemployment is played down and that its main causes are lost from view. For the registered unemployment of more than four million workers cannot essentially be put down to their lacking

inclination to work. This can be demonstrated by the fact that, in the last year, the unemployment level was notionally turned over 1.8 times.⁴ And the most recent rise in registered unemployment, by 150 000 persons, is, quite clearly, due to the cyclical weakness.

Nevertheless, the existence of voluntary unemployment cannot be ruled out from the outset, although there are few studies on this. In the mid-1980s, the Allensbach Institute for public opinion research found that one-fifth of those out of work were jobless of their own free will, because they were not looking for employment.⁵ A more detailed examination of this group was not undertaken, however. At the beginning of this year, a study was put forward, according to which, again, one-fifth of those registered unemployed showed very little initiative in finding work.⁶ This group demonstrates a comparatively high average age. Because of the results of this study, the federal government is planning to change the unemployment statistics during the Bundestag's next term of office; in this, the jobless who cannot be motivated will be shown separately in the statistics.⁷ This would not be a separate German approach, but would follow international standards.

Measuring willingness to work

Below we will attempt to quantify the number of those registered unemployed who regard the take-up of employment with some dissociation. This is measured according to their willingness to take up work. Surveys provide an appropriate way of determining this. Without doubt, some of those surveyed will provide inappropriate answers, although most of those surveyed are remarkably honest in an anonymous situation. In this case, the results used were those compiled by the DIW Berlin's Socio-Economic Panel (SOEP). These surveys, through which a wide-ranging spectrum on personal liv-

⁴ The totals for entry into and departure from unemployment, divided by the average annual level and multiplied by 2.

⁵ Elisabeth Noelle-Neumann, Peter Gilles: Arbeitslos. Report aus einer Tabuzone. Frankfurt/Main and Berlin, 1987, p. 76. A critical view is presented by: Karl-Heinz Reuband: Die Arbeitsmoral der Arbeitslosen. Fragwürdige Deutungen einer empirischen Studie. In: Kölner Zeitschrift für Soziologie und Sozialpsychologie, 1987, pp. 550-559.

⁶ Udo Brix, Rainer Gilberg, Doris Hess, Helmut Schäfer: Wie nah am Arbeitsmarkt sind die Arbeitslosen? In: IAB-Kurzbericht, No. 2/2002. This study is based on an examination that does not, however, undertake any quantification of the unemployed who are unwilling to work. Cf. Ralph Cramer et al.: Struktur der Arbeitslosigkeit im Frühjahr 2000, Gutachten des Instituts fuer Arbeitsmarkt und Berufsforschung, Bonn-Bad Godesberg 2001 (reproduced manuscript).

⁷ Cf.: http://www.bundesregierung.de/top/dokumente/Artikel/ix_703_98.htm

¹ Cf. Frank Oschmiansky, Silke Krull, Günther Schmid: Faule Arbeitslose? Politische Konjunkturen einer Debatte. In Discussion Paper des WZB, No. FSI 01-206, 2001.

² Cf. Allensbacher Berichte, No. 6/2001.

³ Karl Brenke and Michael Peter: Arbeitslosigkeit im Meinungsbild der Bevölkerung. In: Michael von Klipstein, Burkhard Strümpel (eds): Gewandelte Werte – Erstarrte Strukturen. Wie die Bürger Wirtschaft und Arbeit erleben. Bonn 1985.

Table 1
Registered Unemployed¹ by Willingness to Take Up Employment in 2000, According to Selected Criteria
 % share²

| | Unemployed who wish to take up ... | | Unemployed who would ... | | Unemployed who do not wish to take up employment any more |
|---|------------------------------------|------------------|------------------------------------|---|---|
| | employment immediately | employment later | accept a suitable employment offer | not accept a suitable employment offer, because they want to work at a later time | |
| | 1 | 2 | 3 | 4 | |
| Persons in good health under 55 years old (excluding those in training) | 78 | 18 | 88 | 8 | 4 |
| Sex, region | | | | | |
| Men in west Germany | 82 | 14 | 91 | 5 | 4 |
| Men in east Germany | 87 | 12 | 95 | 4 | 1 |
| Women in west Germany | 63 | 30 | 78 | 15 | 7 |
| of whom: | | | | | |
| with children at home | 55 | 40 | 71 | 24 | 5 |
| without children at home | 70 | 22 | 83 | 8 | 9 |
| Women in east Germany | 81 | 16 | 90 | 7 | 3 |
| of whom: | | | | | |
| with children at home | 80 | 18 | 89 | 9 | 2 |
| without children at home | 83 | 12 | 91 | 4 | 5 |
| Age (in years) | | | | | |
| Under 25 | 76 | 22 | 87 | 10 | 2 |
| 25 to 49 | 80 | 18 | 90 | 8 | 2 |
| 50 to 54 | 68 | 10 | 75 | 3 | 22 |
| Persons suffering from ill health or a physical disability | 37 | 23 | 40 | 20 | 40 |
| Persons over 55 years of age | 32 | 10 | 36 | 7 | 58 |
| of whom: in good health | 35 | 7 | 40 | 3 | 58 |
| Persons in training | 47 | 49 | 75 | 21 | 3 |
| Total | 61 | 18 | 70 | 9 | 21 |

¹ Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity. — ² Columns 1,2 and 5, and columns 3,4 and 5 sum up to 100 – apart from rounding differences.
 Source: Socio-Economic Panel (SOEP).

ing conditions are compiled, also contain questions on the employment prospects of those not in employment. In addition, those who are registered unemployed can be identified. The danger that the answers provided by the unemployed could be oriented along the lines of what is supposedly socially desirable is considered low in the case of the SOEP, since the more 'probing' questions are embedded in more neutral questions.

Measuring the willingness to take up employment is possible on the basis of two SOEP questions. First, the unemployed surveyed were differentiated as to whether and when they would like to take up employment. They were then asked whether they would accept a job within two weeks of being offered it.

The analysis does not include those registered unemployed who pursue a regular occupation for which remuneration lies within legal limits for additional income for those out of work. In the extrapolated sample, this accounted for 7% of all registered unemployed in 2000.⁸ However, those who replied that they received an income from irregular work only occasionally were included.

⁸ According to the SOEP data, this could be between 3% and 14% at most; however, it is probably 7%.

An Explanation of the Data Used

This study used the 1999 survey series of the Socio-Economic Panel, the data of which refer almost 1 000 cases of registered unemployed, and the 2000 SOEP survey, which, as a result of the increase of the sample, includes some 1 500 cases. Owing to the SOEP's random sample nature, a variance with official statistics can occur. Indications of the SOEP's level of coverage of the jobless can be supplied by the Federal Labour Ministry's business statistics, which informs on the level of unemployment at the end of the month on the basis of a number of indicators. Since the SOEP does not use a qualifying date survey, a month had to be determined for comparison. The month chosen was March 2000. This showed that the SOEP's extrapolated figure for the unemployed was lower than the official figure – and that the

level of coverage among individual groups of unemployed differed considerably. For this reason, corresponding to official figures, an adjustment to the official unemployed statistics was carried out for the extrapolated SOEP data, by sex, by the indicator 'west Germany/east Germany' as well as by three age groups (i.e., up to 24 years, 25 to 49 years, 50 plus years).

According to these adjustments, in the case of the particularly interesting variables, namely the readiness to take up employment, the results were not remarkably different than before the adjustment – thus rendering it unnecessary.

Productivity increases in the traded goods sector that exceed those in the non-traded goods sector will hence lead to a relative increase in the price of non-traded goods.

Distribution of Registered Unemployed¹ in 2000 Before and After Adjustment to the Official Unemployed Statistics from the SOEP Data

% share²

| | Unemployed who wish to take up ... | | Unemployed who would ... | | Unemployed who do not wish to take up employment any more |
|--|------------------------------------|------------------|------------------------------------|---|---|
| | employment immediately | employment later | accept a suitable employment offer | not accept a suitable employment offer, because they want to work at a later time | |
| | 1 | 2 | 3 | 4 | |
| Prior to adjustment to the official unemployed statistics | 61.2 | 17.9 | 70.0 | 9.2 | 20.9 |
| Following adjustment to the official unemployed statistics | 62.5 | 19.0 | 71.6 | 10.0 | 18.4 |

¹ Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity. — ² Columns 1, 2, and 5, and columns 3, 4 and 5 sum up to 100 – apart from the rounding differences.

Sources: SOEP; Federal Labour Office; DIW Berlin calculations.

The results

Within the groups examined, called 'the unemployed' to simplify matters, approximately every fifth person does not wish to take up employment (cf. table 1). Approximately 60% would ideally like to return to work immediately. The others envisage taking up employment at a later date.

The willingness to take up work is higher in cases where the unemployed are offered jobs that coincide with their own ideas. About 70% of unemployed would accept such positions. That this share is higher may be due to the fact that turning down an offered position could, in practice, have consequences for the unemployed person.⁹

The information on future behaviour does not necessarily coincide with actual later behaviour. In order to be able to evaluate the information obtained, the employment status of the unemployed surveyed in 1999 was examined a year later. According to this, of the one-fifth

⁹ This could also be due to the fact, however, that – as has been argued – many jobless start out with unrealistic ideas on wages. Studies reveal serious methodological problems, however. Only about half of those surveyed provide a wage demand, and this group, as far as can be ascertained, is not representative of all unemployed people. Cf. Björn Christensen: The Determinants of Reservation Wages in Germany. Does a Motivation Gap Exist? Kiel Working Paper, No. 1024 (2001), p. 20. Cf. Björn Christensen: Reservation Wages, Offered Wages and Unemployment Duration – New Empirical Evidence. Kiel Working Paper, No. 1095 (2002).

Table 2

Registered Unemployed¹ by Willingness to Take Up Employment in 1999, and by Employment Status in 2000

(%)

| | Unemployed persons in 1999, who ... | | |
|---|--|----------------------------------|--|
| | wish to take up employment immediately | wish to take up employment later | do not wish to take up employment any more |
| Their status in 2000 | | | |
| In full-time employment | 26 | 12 | 1 |
| In part-time employment | 8 | 5 | 0 |
| In marginal employment | 1 | 6 | 0 |
| In vocational/professional training | 2 | 6 | 0 |
| School/university students | 0 | 6 | 0 |
| Registered unemployed | 55 | 52 | 48 |
| Retired | 2 | 2 | 40 |
| Other | 5 | 11 | 10 |
| Total | 100 | 100 | 100 |
| Memo item: share of all registered unemployed | 61 | 18 | 21 |

¹ Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity.
Source: Socio-Economic Panel (SOEP).

of those surveyed who did not wish to take up any employment, one year later virtually all really were still not employed (cf. table 2). Two-fifths were in retirement, and half were still registered unemployed. This group consists primarily of older unemployed people; two-thirds are 55 years old and older, and over 90% have reached the age of 50. To these must be added those unemployed with health problems.¹⁰ In this case, unemployment is evidently regarded as early retirement. This is true for more than half of the unemployed who are 55 and over – regardless of whether ill health is a factor. Of the 50- to 54-year-olds, approximately one-fifth are no longer available for work (cf. table 1).

The picture differs somewhat for those jobless who said in 1999 that, while not immediately, they did wish to take up employment at a later time. Of these, one-quarter were working in 2000 – one half of whom could be found in part-time or marginal employment, and the other half in full-time employment. A further quarter – without remaining registered unemployed – remained at

¹⁰ Those who describe their health as 'poor' and persons whose state of health acts as a 'strong' deterrent in day-to-day activities.

home, had commenced some form of training, or were performing military service. Here, too, unemployment in part represents a transitional stage. Nevertheless, about half were still registered unemployed.

Women, especially those with children, prefer to take up employment at a later time (cf. table 1). Here there are considerable differences between east and west Germans. West German unemployed women with children at home pursue immediate employment take-up much less frequently than women in the new states. This could also be due to the fact that, in west Germany, public childcare provision is considerably worse than in the east.¹¹ However, west German women without children also have a lower inclination to resume employment immediately than do east German women. Presumably, traditional patterns and roles are still more pronounced in west Germany.

¹¹ Cf. C. Katharina Spieß (in co-operation with Barbara Müller-Unger and Jens Schmidt-Ehmcke): Abschätzung des Finanzierungsbedarfs für die Bereitstellung einer bedarfsgerechten Versorgung mit Plätzen in Kindertageseinrichtungen. Kurzgutachten des DIW für die Bundestagsfraktion von Bündnis 90/Die Grünen. Berlin 2001. (Reproduced manuscript)

Table 3

Registered Unemployed¹ by Willingness to Take Up Employment and by Assessment of Their Labour Market Prospects

% share

| | Unemployed who wish to take up ... | | Unemployed who would ... | | Unemployed who do not wish to take up employment any more |
|--|------------------------------------|------------------|------------------------------------|---|---|
| | employment immediately | employment later | accept a suitable employment offer | not accept a suitable employment offer, because they want to work at a later time | |
| Finding a suitable position is regarded as being ... | | | | | |
| easy | 5 | 10 | 6 | 11 | 2 |
| difficult | 67 | 54 | 66 | 46 | 22 |
| virtually impossible | 28 | 36 | 28 | 43 | 65 |
| Persons defining themselves as pensioners | 0 | 0 | 0 | 0 | 11 |
| Total | 100 | 100 | 100 | 100 | 100 |
| Memo Item: active search for employment during the last four weeks prior to the survey | 75 | 29 | 72 | 11 | n.a. |

¹ Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity.

Source: Socio-Economic Panel (SOEP).

Of the unemployed who wanted to get back into employment as quickly as possible in 1999, almost 40% were employed one year later (cf. table 2). Approximately half were – still or again – registered unemployed in 2000. Here, this is not the result of lacking readiness to work but a reflection of high overall unemployment.

When unemployed persons consider their labour market prospects to be poor, their willingness to take up employment is low. This is certainly true for older workers and those impaired by ill health. A few in this group describe themselves as pensioners. Compared with this group, the remaining unemployed consider their labour market prospects as 'better' – although, in most cases, not as 'good'. When assessing labour market prospects, there are not, however, any noteworthy differences between those unemployed who wish to revert to employment immediately and those who prefer to do so at a later stage. For this group, therefore, the intention of remaining unemployed for some time does not seem to be due to the fact that they, on average, fear particularly bad employment prospects for themselves. There are also considerable differences in the behaviour in searching for work. The unemployed who wish to return to

work at a later stage quite naturally look for work much less frequently than those who wish to return to work immediately (cf. table 3).

An analysis of the level of satisfaction with life among those surveyed also demonstrates a certain habituation to unemployment. As expected, the unemployed are generally less satisfied with their lives, and especially with their material situation, than those in employment (cf. table 4). Unemployed people often lack social recognition and therefore often also self-esteem.¹²

Nevertheless, there are also those among the unemployed who are relatively satisfied with their lives (cf. figure); there are clear differences in the degree of satisfaction between the individual groups. With respect to the general level of satisfaction with life, the – mainly older – unemployed who do not seek any further

¹² Owing to lower income prospects and for a number of other reasons, the unemployed are also more dissatisfied with their life before becoming unemployed. On average, however, this effect is very small and cannot be used to explain the illustrated differences between unemployed and employed. Cf. Liliana Winkelmann and Rainer Winkelmann: Happiness and Unemployment: A Panel Data Analysis for Germany. In: *Konjunkturpolitik*, Issue 4 (1995).

Table 4

Satisfaction¹ Among Unemployed and Employed, Based on Different Criteria

| | Registered Unemployed | | | Employed | | |
|--|-----------------------|------------------|--------------------|-----------------------|------------------|--------------------|
| | Satisfaction with ... | | | Satisfaction with ... | | |
| | life in general | household income | standard of living | life in general | household income | standard of living |
| Age (in years) | | | | | | |
| Up to 25 | 6.1 | 4.5 | 5.8 | 7.3 | 6.4 | 7.3 |
| 25 to 50 | 5.6 | 3.8 | 5.4 | 7.2 | 6.5 | 7.3 |
| 50 to 65 | 6.1 | 4.6 | 6.0 | 7.3 | 6.8 | 7.5 |
| With professional/vocational training | 5.9 | 4.3 | 5.8 | 7.2 | 6.6 | 7.4 |
| Without professional/vocational training | 5.7 | 3.8 | 5.2 | 7.1 | 6.4 | 7.1 |
| Men in west Germany | 5.8 | 4.1 | 5.6 | 7.3 | 6.7 | 7.4 |
| Men in east Germany | 5.4 | 3.6 | 5.4 | 6.8 | 5.8 | 6.8 |
| Women in west Germany | 6.3 | 4.6 | 6.0 | 7.3 | 6.8 | 7.4 |
| of whom: with children at home | 6.2 | 4.9 | 5.9 | 7.3 | 6.6 | 7.3 |
| Women in east Germany | 5.7 | 4.2 | 5.7 | 6.8 | 6.0 | 7.0 |
| of whom: with children at home | 5.8 | 4.2 | 5.7 | 6.9 | 5.8 | 6.9 |
| Unemployed who wish to take up employment ² ... | | | | | | |
| immediately | 5.7 | 3.7 | 5.4 | . | . | . |
| later | 5.9 | 4.7 | 5.9 | . | . | . |
| no longer | 6.3 | 5.2 | 6.4 | . | . | . |
| Total | 5.8 | 4.2 | 5.7 | 7.2 | 6.6 | 7.3 |

¹ Index; arithmetic means of valuations on a scale of 0 to 10, where 0 = complete dissatisfaction, 10 = complete satisfaction. — ² Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity.
Source: Socio-Economic Panel (SOEP).

employment attain higher levels of satisfaction than the other groups of unemployed.

There are real reasons for the differences in satisfaction where income is concerned. On average, the unemployed who are ready to take up employment immediately have lower incomes than those who have decided on employment at a later date. In 1999, the equivalent weighted net household incomes¹³ were highest among those unemployed who were no longer willing to take up employment (cf. table 5). This pattern is evident among the unemployed both younger than 50 years and above 50 years, and among men just as much as women. In the

old federal states this is more evident than in the new states. It is virtually indiscernible among those impaired by ill health. Labour market availability thus obviously also depends on the material situation of the unemployed.

Economic policy conclusions

For the majority of unemployed, the prejudice that they are unwilling to work is completely inappropriate, since 80% do want to work. Despite high overall unemployment, 40% of those who want to return to work immediately achieve this goal within one year. On the other hand, there are those unemployed who, for reasons of ill

¹³ Total net private household income divided by the square root of the number of members of the household.

Table 5

Registered Unemployed¹ by Willingness to Take Up Employment, by Their Income² and According to Selected Criteria, in 1999

In euro

| | Unemployed who wish to take up ... | | Unemployed who would ... | | Unemployed who do not wish to take up employment any more |
|--|------------------------------------|------------------|------------------------------------|---|---|
| | employment immediately | employment later | accept a suitable employment offer | not accept a suitable employment offer, because they want to work at a later time | |
| Under 50 years | 12 680 | 15 240 | 13 000 | 14 690 | 15 730 |
| Over 50 years | 13 830 | (15 410) | 14 040 | (16 060) | 15 290 |
| Over 55 years | 13 130 | (15 460) | 13 650 | – | 14 100 |
| Men | 12 720 | 16 100 | 13 000 | 14 820 | 14 970 |
| Women | 13 250 | 14 770 | 13 520 | (15 060) | 15 930 |
| of whom: | | | | | |
| West Germans | 14 110 | 13 810 | 13 890 | (15 800) | 17 000 |
| East Germans | 12 270 | 15 870 | 13 120 | (13 610) | 13 780 |
| West Germany | 13 230 | 14 490 | 13 230 | 15 290 | 16 000 |
| East Germany | 12 630 | 16 230 | 13 260 | (13 940) | 13 420 |
| Persons suffering from ill health or physical disability | 12 700 | (13 500) | 12 130 | (14 340) | 13 740 |
| Total | 12 950 | 15 280 | 13 240 | 14 940 | 15 340 |

1 Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity. — 2 Equivalent weighted yearly net household income.

Equivalent weighting based on the square root of the number of household members.

Key: Numbers in () = n < 30; – = n < 10.

Sources: Socio-Economic Panel (SOEP); DIW Berlin calculations.

health, physical disability or participation in training, are not available for work. It would not be fair, however, to categorise this group as unwilling to work.

However, it has also been shown that one-fifth of the jobless are not considering returning to work. These are almost exclusively older unemployed persons of over 50 years of age, who are favoured by the social insurance system. They are able to receive unemployment benefits for a relatively long time¹⁴ and, from the age of 58, no longer have to make themselves available for job placements. This could actually encourage employers,

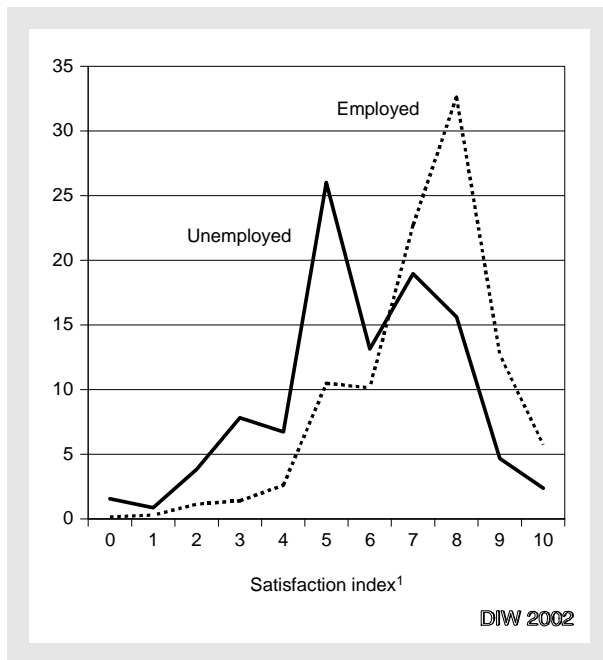
¹⁴ Under certain conditions, this can be for up to 32 months.

through a pact with older employees, agreed at the expense of all social insurance contributors, to build up a younger work force and thereby minimise the risk of actions against unfair dismissal.

Among the younger unemployed, women with children in particular show no readiness to return to a job in the short term. They, quite rationally, take advantage of the social insurance benefits offered. Although it is vital for long-neglected family policies to finally take centre-stage, this should not lead to a deterioration of labour market prospects for younger women. The improvement in the provision of public, or publicly supported, child-care institutions, which are lacking in the old Länder in

Figure
General Satisfaction Levels among Unemployed and Employed

% share of all unemployed and employed persons



1 0 = complete dissatisfaction, 10 = complete satisfaction. — 2 Excluding unemployed persons with a regular occupation; including unemployed persons in irregular paid activity.

Source: Socio-Economic Panel (SOEP)

particular, would be a much more suitable way of providing support for young parents than continued transfers of money, which can ultimately lead to their remaining in unemployment.¹⁵

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¹⁵ Cf. Gert G. Wagner: Kinderbetreuung und Vorschulerziehung sollten flexibel gestaltet werden – Erziehung muss für Eltern keine ökonomische Last sein. In: Vierteljahrshefte zur Wirtschaftsforschung, no. 1/2002.