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DIW BERLIN
The German Socio-Economic Panel Study
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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 (subsidarity principle)
  - only "regular support for living expenses" (HLU) 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

Eligibility rule:

Eligible = 1, if Needs > Allowable Income | Wealth ~0

$\Sigma i\,(BN_{ij} + AN_{ij}) * NTstate + HC_j > HHInc_j$

BN_{ij} : Basic Needs of individual *i* in household *j*
AN_{ij} : Additional Needs of individual *i* in household *j*
NTstate : State-specific needs threshold
HC_j : Housing Costs for household *j* (up to a maximum threshold)
$HHInc_j$: Allowable Income of household *j*

Descriptive Results

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

	2001	2002	2003
Non Take-Up Rate (in % of all HH simulated as eligible for SA)	61.3	64.2	64.0
Beta Error Rate (HH simulated as non eligible in % of all HH with SA receipt)	10.2	12.5	10.9
Eligible HH (in % of all HH)	4.7	5.2	5.8

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

Individual History of Eligibility and Non-Take-Up (2001-2003)

	Persons	in %
(1a) permanent non-eligible	20997	91.0
(1b) permanent SA receipt	304	1.3
(1c) permanent non-take-up	150	0.7
(2a) changes between non-eligible and non-take-up	996	4.3
(2b) changes between non-eligible and SA receipt	348	1.5
(2c) changes between non-take-up and SA receipt	201	0.9
(2d) changes between all three states	76	0.3
Total	23073	100

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

Regression Analysis & Conclusion

	model 1	model 2	model 3	model 4	model 5	model 6
educational level of head of household (Ref: intermediate)						
high education	0.008			0.014		-0.010
low education	-0.653***			-0.340		-0.095
household type (Ref: household without children)						
single parents	-0.485**			-0.398*		-0.031
family with children	0.229			-0.085		-0.062
no. of children (cont.)	-0.260***			-0.256**		-0.152
age of head of household (Ref: middle age)						
young household	-0.479**			-0.370		-0.542**
pensioner household	-0.035			-0.308		-0.014
community size (Ref: intermediate area)						
rural area	-0.008			-0.228		-0.311
metropolitan area	-0.567***			-0.325		-0.496*
additional controls*	yes			yes		yes
regional SA ratio (cont.)				-0.098**		-0.072
relative poverty gap (cont.)		-0.036***		-0.035***	-0.030***	-0.029***
material deprivation (Ref: no deprivation)						
deprivation in 2001 only		-0.558**		-0.615**	-0.402	-0.478
deprivation in 2003 only		-0.959***		-1.092***	-0.869***	-0.930***
deprivation in 2001 and 2003		-0.926***		-0.889***	-0.516**	-0.570**
history of eligibility & take-up 2001/2002 (Ref: non-eligible)						
continuously non-take-up			0.812***		0.616*	0.664*
continuously SA receipt			-1.922***		-1.745***	-1.645***
non-take-up and non-eligible			0.537***		0.529**	0.563**
once SA receipt			-1.235***		-1.159***	-1.175***
Constant	0.871***	1.983***	0.772***	2.921***	2.003***	2.587***
Pseudo R-squared	0.108	0.266	0.356	0.343	0.487	0.523
Observations	477	477	477	477	477	477

Source: SOEP waves 2000-2003, balanced panel.
*Additional controls include: region (West/East Germany), person in need of care in household, (head of household:) sex, migration background, disability status, attitudes towards social security

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

- Extending observation period by adding additional waves 2000 and 2004.
- Employing panel regression models and other techniques (markov chains, sequence analysis)

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Reference: Joachim R. Frick & Olaf Groh-Samberg 2007: To Claim or Not to Claim: Estimating Non-Take-Up of Social Assistance in Germany and the Role of Measurement Error. SOEPpapers on Multidisciplinary Panel Data Research No. 53, DIW Berlin