

Abstracts for the 2023 Workshop

„Social policy and the labour market in turbulent times: (no) need for change?“

19 - 20 July

Day 1, 19 July 2023

Session 1: Minimum income and poverty

Job insecurity and subjective well-being of natives and immigrants in Germany: Disentangling the role of objective and subjective components

Laura Goßner and Maye Ehab (Institute for Employment Research - IAB)

The modern labor market is undergoing significant changes, and one of the most notable ones is the rising demand for flexibility. As a result, non-standard employment forms, such as fixed-term and informal jobs, are becoming more common (Brady & Biegert, 2017). While these jobs may act as a stepping stone into the labor market (Booth et al., 2002; Gash, 2008), they come with significant downsides, including insecurity and lower wages (Gebel, 2009; Giesecke & Groß, 2003; McGovern et al., 2004), and can render certain groups more vulnerable in the labor market. Two particularly vulnerable groups are migrants and refugees, where research has shown that they are more likely to be in non-standard employment situations than native workers (Kogan, 2011) and are at higher risk of experiencing job insecurity on a subjective level (Bürmann et al., 2022). However, little is known about the effect of various measures of job insecurity on subjective wellbeing (SWB) according to ethnicity.

In this context, understanding the effect of job insecurity on SWB for migrants and refugees is of great importance. Complementing previous research on SWB and job insecurity for whole populations in various countries (de Cuyper and de Witte, 2007; Karabchuk and Soboleva, 2020; Pirani, 2017), this paper focuses on the outcomes for migrants and refugees as a vulnerable group in the labor market. More specifically we ask in this study how the effect of objective job insecurity on SWB differs depending on migration experience in Germany and which role the subjective component of job insecurity plays in explaining differential outcomes.

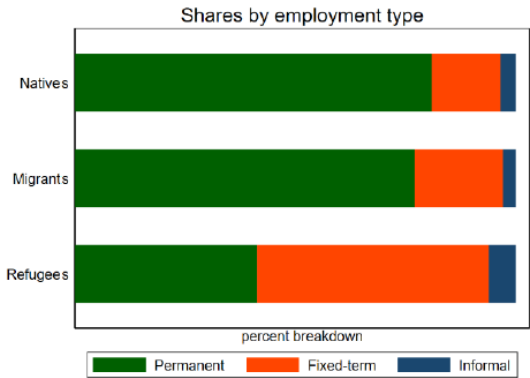
Previous studies mainly look at job insecurity through objective measures differentiating between fixed-term versus permanent employment (Carlier et al., 2013; Gebel & Voßemer, 2014). While such measures can be useful in quantifying job insecurity, capturing only one aspect of job insecurity is expected to be underestimating the actual size of job insecurity (Vives et al., 2020). In reality, many workers experience subjective job insecurity, which refers to their personal feelings of fear and anticipation of job loss. In this paper, we therefore look at both – objective and subjective measures of job insecurity.

To answer our research questions, we estimate panel data models using data from the German Socio-Economic Panel (GSOEP), the IAB-BAMF-SOEP Refugee sample and the IAB-SOEP Migration sample from the years 2013 to 2020. Our data allows us to look at differential outcomes for natives, migrants

and refugees. As an objective measure of job insecurity, we look at the contractual arrangement divided into permanent, fixed-term and informal (no contract, excluding self-employment) jobs where fixed-term and informal jobs are considered insecure jobs. Subjective job insecurity is reflected by the fear of job loss and labor market insecurity captures the easiness of finding a new job. For the outcome variable, the level of SWB is captured by life satisfaction.

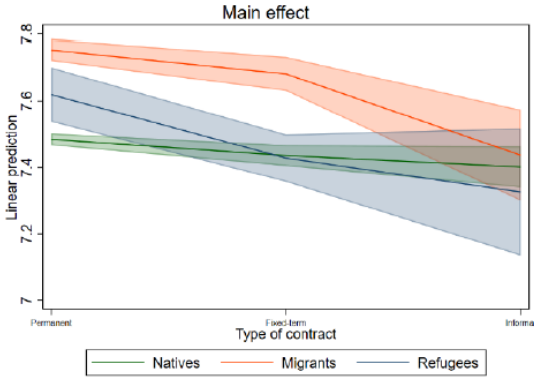
The paper complements the literature on SWB in estimating the heterogeneous effects by migration experience. Figure 1 shows that refugees are highly concentrated in non-standard employment compared to other migrants and natives. Preliminary results show differences in the level of life satisfaction between natives, migrants and refugees, where migrants and refugees are happier than natives when employed in permanent employment (Figure 2).

Figure 1: Shares of natives, migrants and refugees by employment type



Source: Authors' calculations based on SOEP v37 data.

Figure 2: Wellbeing and differences according to employment type



Source: Authors' calculations based on SOEP v37 data.

Being in a non-standard employment compared to being in permanent employment decreases SWB for migrants and refugees but not for natives. We find that native's SWB is least affected by the type of employment. Working in informal employment compared to permanent employment is decreases SWB drastically for migrants while refugees largest decline in SWB is witnessed in working in fixed-term employment compared to permanent employment. In the next step, we will disentangle the mechanisms behind the observed differences and analyse the role of subjective job and labor market insecurity in explaining the relationship between employment type and SWB.

Overall, this study highlights the importance of recognizing the unique challenges that immigrants face in the labor market and the need for targeted interventions to address these challenges and help in a better integration of immigrants.

Elise Aerts, Ive Marx, Gerlinde Verbist (Centre for Social Policy, University of Antwerp)

Not That Basic: How Level, Design and Context Matter for the Redistributive Outcomes of Universal Basic Income

Proponents of a basic income (BI) claim that it could bring significant reductions in financial poverty, on top of many other benefits, including greatly reduced administrative complexity and cost. Using microsimulation analysis in a comparative two-country setting, we show that the potential poverty reducing impact of BI strongly depends on exactly how and where it is implemented. Implementing a BI requires far more choices than advocates seem to realize. The level at which the BI is set matters, but its exact specification matters even more. Which parts of the existing tax-benefit system are maintained, and which parts are abolished, modified or replaced? The impact of a BI, be it a low or a high one, thus strongly depends on the characteristics of the system that it is (partially) replacing or complementing, as well as the socio-economic context in which it is introduced. Some versions of BI could potentially help to reduce poverty but always at a significant cost and with substantial sections of the population incurring significant losses, which matters for political feasibility. A partial basic income complementing existing provisions appears to make more potential sense than a full basic income replacing them. The simplicity of BI, however, tends to be vastly overstated.

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Changes in income poverty risks at the transition from unemployment to employment

<https://doi.org/10.1007/s11205-023-03118-5>

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Minimum income support systems as elements of crisis resilience in Europe

This paper studies the role of social policies in different European welfare states regarding minimum income protection and active inclusion. The core focus lies on crisis resilience, i.e. the capacity of social policy arrangements to contain poverty and inequality and avoid exclusion before, during and after periods of economic shocks. To achieve this goal, the paper expands its analytical focus to include other tiers of social protection, in particular upstream systems such as unemployment insurance, job retention and employment protection, as they play an additional and potentially prominent role in providing income and job protection in situations of crisis. A mixed-method approach is used that combines quantitative and qualitative research, such as descriptive and multivariate quantitative analyses, microsimulation methods and in-depth case studies. We find consistent differences in terms of crisis resilience across countries and welfare state types. In general, Nordic and Continental European welfare states with strong upstream systems and minimum income support

(MIS) show better outcomes in core socio-economic outcomes such as poverty and exclusion risks. However, labour market integration shows some dualisms in Continental Europe. The study shows that MIS holds particular importance if there are gaps in upstream systems or cases of severe and lasting crises.

Session 2: Employment patterns

Thomas Schober (New Zealand Work Research Institute and Auckland University of Technology)

The effect of literacy and numeracy programmes on labour market outcomes

Having a basic level of proficiency in reading and mathematics is widely seen as a key factor to fully participate in modern societies. In many developed countries, therefore, there are policies to raise the literacy and numeracy skills of adults. In this context, we evaluate literacy and numeracy programmes for adults in New Zealand. These publicly funded programmes aim to raise adults' skills in order to enable further learning and increase the employability of participants. We use population-wide administrative data to estimate the effects of participation on labour market outcomes. Participants are linked to income tax data to measure employment and earnings, and to accident compensation claims to measure work-related injuries. We exploit the variation in the timing of participation using data from 2013 to 2021 to construct counterfactual outcomes, and compare participants to individuals who participate at a later point in time.

Fridolin Wolf (University of Hamburg)

Non-standard employment, low standard of living? The Role of Labor Market and Social Policy Measures in Preventing Material Deprivation of Different Employment Trajectories in Europe

In recent decades, employment rates increased in Europe, partly driven by an increasing share of non-standard employment, such as part-time or fixed-term employment. Non-standard employment can be observed all over the employment biography and is not limited to the entry phase and later working life. For reasons of lacking labour market alternatives or solving family reconciliation problems it also applies to the main earning phase resulting in non-standard employment histories, mainly concerning women and low educated. Therefore, emerging activation paradigms such as the social investment strategy focus on these arising non-standardized employment histories and aim to keep financial risky phases due to unemployment, less working hours or inactivity, e.g. domestic work, low and short. This raises the question of how effective activation paradigms are in alleviating poverty of people with non-standardized employment histories.

There is much known about the influence of a non-standardized employment history on poverty risks, especially with regard to income poverty (Gangl 2006; Giesecke 2009; Graaf-Zijl & Nolan 2011; Horemans 2018; van Lancker 2012). Non-standardized employment histories can be regarded as riskier employment histories in terms of financial security. Part-time and temporary employment increase income poverty risks, although the household context can be a reliable buffer. Particularly affected by high poverty risks are individuals who witness longer unemployment spells or career breaks throughout their employment history as well as self-employed. However, in focusing on deprived living standards as a direct measure of poverty instead of income risks of non-standardized employment histories, the study addresses a so far under-researched issue at the micro level.

Regarding the multi-level framework, the state of research is even more limited. Most studies on the impact of activation paradigms have examined the labour force participation or poverty-reducing effect in a purely macro context (Bonoli 2022 and Cantillon 2022 for an overview). With the exception of Halleröd et al. (2015) who analyze the in-work poverty risks of different employment histories in a cross-country comparison, more detailed analyses regarding specific risk groups within the labour force have often been limited to single countries. Although there is great controversy in the academic debate about the poverty-reducing effect of activation measures, so far, no study examines this in a cross-level framework for employment histories in the main working phase in Europe.

This paper aims in closing this research gap and thus contributes to the controversial state of research on the opportunities and risks of European activation policies regarding non-standard employment histories. Specifically, the paper analyses the influence of the main pillars of social investment (Hemerijck (2015) – labour market activation policies, work-family balancing policies and minimum income protection policies – on the differences in the living standards of non-standardized and standardized employment histories in Europe.

For the analysis, longitudinal EU-SILC micro-level data of 26 countries are used, which make it possible to observe almost 36,000 employment histories of people aged 25 to 55 years over four years. The macro data on activation measures and income protection are from the OECD and Eurostat databases. In order to focus on non-standard employment histories, where employment is of considerable financial importance to the household, the analyses are limited to household main earners. We distinguish between five non-standardized employment histories which are assumed to benefit most from a European social investment strategy: mainly employed part-time while having children in the household, witnessing domestic interruptions, mainly employed with limited contracts, employed with interruptions due to unemployment and with training interruptions.

Descriptive results show that half of the persons with non-standard employment histories are main earners, which illustrates the financial importance of these non-standard employment histories for households as well as for European labour markets. Descriptives also indicate a Matthew effect with regard to the educational level: Compared to individuals with unemployment interruptions, the share of highly educated people is among those, who display employment interruptions due to the take-up of further training twice as high.

Using logistic random intercept multi-level models, the risk on material deprivation is regressed on these non-standard employment histories and compared to standardized employment histories in mainly full-time employment. At the micro level, it becomes clear that all non-standardized employment histories have a higher risk of being materially deprived than standardized employment histories. Among main wage earners, this gap is significantly larger, and it is largest for employment histories with interruptions due to unemployment or training phases. At the macro-level, activation, both in form of expenditures and participation, and minimum income protection reduce the risk of material deprivation in general. However, the cross-level results reveal ambivalent findings. While three non-standard employment histories benefit more than standard employment histories from increased participation in activation

measures (training and subsidized childcare), higher expenditures in activation reduce the material deprivation gap only for employment histories with training interruptions. This can be mainly attributed to the missing impact of expenditures on ALMP, in general and regarding the cross-level effects. For the success of a European social investment strategy that aims to secure more vulnerable employment trajectories, it is therefore crucial that higher spending on ALMPs actually leads to higher rates of further training. So far, this is not necessarily the case. Regarding the cross-level results of higher levels of minimum income protection, there is only a reduction of the deprivation gap for employment histories with training interruptions as well. Considering the size of the general macro effect and the cross-level effects in total, high levels of participation in activation measures act as the strongest equalizer of deprivation risks on a low basis, followed by high minimum income protection. Thus, a social investment strategy that aims to secure those employment histories should therefore focus on high training and childcare participation rates as well as on minimum income protection.

Julia Schmidtke and Leonie Wicht (Institute for Employment Research - IAB)

Mapping employment patterns following an unemployment benefit sanction

Benefit sanctions are used to ensure that benefit recipients comply with their duties, i.e. end their dependence on unemployment benefits by taking up employment or participating in labor market programs. In Germany, benefit sanctions can be imposed due to minor non-compliances, which lead to a 10% reduction of the basic cash benefits, and sanctions due to severe infringements, leading to larger cuts. The duration of the welfare benefits' reduction is fixed at 3 months. While studies have shown that unemployment benefit sanctions can increase reemployment rates (see e.g. van den Berg et al. 2014), they have also revealed the occurrence of negative side-effects on the quality of future employment, resulting e.g. in lower earnings, shorter employment durations or withdrawal from the labor force (see e.g. van den Berg et al. 2022). In November 2019 the German Constitutional Court ruled that benefit reductions exceeding 30% of the basic cash benefits are not compatible with the German constitution (German Federal Constitutional Court 2019). In light of the required policy changes there have been discussions about the proportionality of benefit sanctions and the hardship they can result in. The aim of our paper is to contribute to further the understanding of the effects of benefit sanctions on future employment patterns.

We use administrative data from the German Federal Employment Agency, which include daily information on employment subject to social insurance contributions, unemployment benefits and means-tested welfare benefits receipt as well as the occurrence of benefit sanctions. Our sample consists of 22,251 randomly selected individuals with at least one welfare benefit sanction event in 2016 without implemented sanctions in the previous three years. Starting from their first sanction event we then follow these individuals over the next 30 months.

We apply a sequence analysis to identify future employment patterns of individuals receiving a welfare benefits sanction. For this purpose, we distinguish between five distinct states. The first state applies to individuals with a cut in benefits and parallel welfare receipt. In addition, we define four states without the presence of a benefit sanction: employment subject to social insurance contributions, unemployment or welfare benefit receipt, which might include participation in active labor market programs, or a combination of those. The state “out of labor force” is assigned if none of the previous states apply.

First, we perform a descriptive analysis of the observed employment patterns following the sanction event. Welfare benefits play the largest role among all employment states following the first sanction event – on average, individuals receive welfare benefits for 19 out of 30 months after the first event. For about 52% we observe at least one employment spell within the first three years after the event, and on average seven out of 30 months are spent in employment. However, 28% of those continue to depend on welfare benefits, which implies that their income is not sufficient to cover living costs. About 15% of our sample withdraws from the labor force for at least one month within the first 6 months after the sanction event. This could be due to taking up self-employment or no longer being eligible for benefits.

Considering the heterogeneity in employment patterns we conduct a cluster analysis to identify typical employment patterns after the first sanction event. We apply the Ward Algorithm and the gap statistic method for selecting the optimal number of clusters. As a result, we obtain four clusters describing the typical employment patterns following a sanction event.

In our first cluster we predominantly observe welfare receipt following the sanction event. We therefore label this cluster *ongoing welfare receipt* (1). This is our largest cluster and accounts for 56% of individuals. The second distinct pattern is characterized by exit to *regular employment* (2), in some cases even within the first three months following the sanction event. About 22% of all individuals show this pattern. For about 8% of our sample, we observe long periods of *parallel employment and benefit receipt* (3) and multiple switches between employment and welfare receipt. The fourth group (14% of the sample) is characterized by *withdrawal from labor force* (4) shortly after the first sanction event. 48% of this cluster withdraw from the labor force within the first six months after the event. Among those, 20% do not return to the labor force within the next 12 months. On average, individuals with this employment pattern withdraw from the labor force for 20 out of 30 months afterwards.

Next, we estimate a multinomial logit model to estimate the relative likelihood for individuals belonging to a cluster given their sociodemographic characteristics and employment histories previous to the first sanction event. Our findings reveal that individuals who have received welfare benefits for a longer period prior to the event are more likely to have *ongoing welfare receipt* after the first sanction (1), which provides some evidence that sanctions do not change the previous employment pattern. This pattern is more likely observed for females and individuals having a lower level of education and having less work experience within the last three years. We find that it is more likely for males to *exit to regular employment* (2) or individuals being relatively young, highly educated or having more work experience in the three years prior to the sanction event. *Parallel employment and welfare receipt* (3) is often observed for individuals living in a household with children, which potentially limits their ability to work

full-time. In comparison to cluster 1, these individuals have higher levels of education and more work experience before the first sanction event. *Withdrawal from labor force* (4) is comparably more likely for individuals in single households and having a high school degree.

Our findings contribute to further the understanding of the impact of unemployment benefit sanctions on future employment outcomes. We show the heterogenous impact of benefit sanctions on employment patterns and how those relate to individuals' preceding employment histories and sociodemographic characteristics.

Torsten Lietzmann and Katrin Hohmeyer (Institute for Employment Research – IAB)

Post-Unemployment Employment Dynamics and the Role of Non-Standard Employment in Germany

The German labour market has gone through an increasing flexibilization during the past three decades and non-standard work (NSW) has been increasing. Almost half (45%) of the employed individuals in Germany in 2018 were employed in NSW (Walwei 2022). At the same time, the social security system has been reformed profoundly in the early 2000s (Hartz reforms) and some smaller adjustments in 2023. One aim of recent (Bürgergeld) reforms has been to improve qualification opportunities and stable labour market integration of the unemployed as opposed to a strong work-first and activation approach of the Hartz reforms.

In this paper we investigate the role of NSW for the labour market trajectories of unemployed individuals for the period 2012-2019. On the one hand, NSW might offer opportunities for some unemployed workers, who can improve their human capital. Thus, NSW might serve as a stepping-stone to permanent employment. On the other hand, NSW might also just buffer fluctuations in labour demand and thus, NSW might foster interrupted employment biographies with workers being often less well protected against social risks, e.g. during the COVID 19-pandemic and against old-age poverty. Previous research finds that whether the dead-end effect or the stepping stone effect prevails depends on several aspects, e.g. the type of NSW or the economic circumstances.

Using rich administrative data from Germany, we study typical labour market trajectories of individuals who became unemployed in 2012-2015 for a four-year period after entry into unemployment. We study whether NSW is transitional or terminal and whether different individual characteristics shape the likelihood for different trajectories. We study the following four types of NSW: part-time, fixed-term, marginal and temporary agency. The sequence analyses yield ten clusters of labour market trajectories, of which six contain substantial periods of NSW. Furthermore, NSW is more likely for but not restricted to sociodemographic groups with low employment prospects. Our results point to a limited potential of NSW as a stepping stone.

Day 2, 20.07.2023

Session 3: Groups in the labour market and institutions

Agata Rozszczypała (Institute for Structural Research - IBS and SGH Warsaw School of Economics)

The employment effects of the disability education gap in Europe

We investigate the role of education in creating employment opportunities for persons with disabilities across the European Union. We use the European Union Statistics on Income and Living Conditions (EU-SILC) for 2011-2019. We find that educational attainment is a major factor determining the probability of employment among persons with disabilities. In particular, the employment effects of tertiary education are much larger among persons with disabilities than among non-disabled people: that is, having a disability is a greater disadvantage for less educated than for better educated people. We provide evidence that the endogeneity of educational attainment does not drive these findings. We also uncover substantial heterogeneity in the role of education between countries. In more developed countries, the employment status of persons with disabilities is generally less dependent on their educational attainment. Overall, we estimate that 20% of the disability employment gap in the 25-34 age group can be attributed to the gap in education between individuals with and without disabilities.

*Henri Haapanala (University of Antwerp),
Zachary Parolin (Bocconi University and Columbia University) and
Ive Marx (University of Antwerp and IZA Research Fellow)*

Beyond Creative Destruction: Explaining Declining Union Membership in Post-Industrial Times

Trade unions are key progressive forces fighting for better wages and working conditions throughout the economy. It is therefore hardly a surprise that labour's share of output and economic prosperity has declined so much during the persistent, decades-long trend of declining trade union membership (Kristal 2013). However, despite the very real consequences of declining union membership, the causes of this phenomenon are not fully understood. After the seminal contribution of Ebbinghaus and Visser (1999), union membership has continued to decline, not to mention changes in employment in the traditionally most heavily unionised sectors and occupations. The picture of a representative union member has changed substantively, from a blue-collar industrial worker to a white-collar, middle-income professional (Kjellberg 2013, Pontusson 2013). That is to say, the trend of declining union membership conceals another trend of changing composition among unionised workers.

In this paper, we revisit the question of the causes of union decline in advanced democracies in the post-industrial epoch. We specifically focus on the role of routine-biased technological change, automation and deindustrialisation in driving union decline vis-à-vis alternative explanations put forward by sociological and political-economic theories (see eg. Meyer 2019, Steigerwald 2010, Kollmeyer 2021,

Ibsen et al. 2017, Kurer 2020). The experience of countries such as Germany, where the industrial union movement remains influential despite the high intensity of industrial robots, suggests that the link between labour-displacing technological change and declining trade union membership is by no means straightforward (Haipeter 2020). Our contribution finds that no one theory is sufficient to explain the megatrend of declining trade union membership, while pointing towards several contributory factors. Specifically, we find that social customs, political preferences, and country-specific institutions of collective bargaining matter more for unionisation than workplace characteristics such as automation and technological change.

We test our hypotheses regarding the causes of union decline with a variety of statistical methods, combining micro-level and macro-level data from various sources. The backbone of our analysis is the International Social Survey Programme (ISSP), an international social sciences dataset covering 28 advanced democracies from 1993-2020. We supplement this with occupation-level data on routine task intensity (RTI) and country-level data on exposure to industrial robots, collective bargaining, and political-economic institutions from the Luxembourg Income Study (LIS), International Federation of Robotics (IFR), OECD, and the Comparative Political Data Set (CPDS). Using fixed-effects regression models, we test the effects of routine-biased technological change, political and social preferences, demographic characteristics and country-specific labour market institutions on outcomes such as trade union membership at the individual and country levels, and individual attitudes towards collective bargaining.

Our preliminary findings point towards the important role of contextual factors such as party affiliation, age and income as the main determinants of union membership at the individual level. More strikingly, we find that exposure to industrial robots or the displacement of routine occupations have not contributed to the decline in union membership in the last three decades. Instead, our results point towards higher probabilities of unionisation for workers in non-routine manual and non-routine cognitive occupations. Further analysis reveals that these results are remarkably persistent over time: in line with other research following the social customs theory of union membership, we find that the predictive power of individual characteristics has not declined at the same rate as unionisation. This suggests that the main causes of union decline are found in the institutions of collective bargaining and features of the workplace affecting the difficulty and expected returns of unionisation.

The main contribution of this paper is providing a theoretically and empirically comprehensive overview of the various hypothesised causes of trade union decline in the advanced democracies. This question has been analysed in recent years and decades by various disciplines, ranging from industrial relations to labour economics, sociology and social policy. However, many of these analyses are unhelpfully isolated in theoretical and disciplinary silos, where a focus on individual explanans risks losing sight of the bigger picture. Our contribution aims to take a balanced, cross-disciplinary view supported by high-quality empirical data. This paper lays the groundwork for further analyses related to the outcomes of union decline, specifically labour market inequality experienced by low-paid and precarious workers.

Gender Pay Gap: A Risk Perspective

This paper discusses the difference in risk exposure between men and women and its impact on job choice. Since women tend to be more risk-averse, they select themselves into industries and occupations with lower risk exposure. It is shown that female-dominated sectors and professions are characterized by lower risk. Moreover, it is demonstrated that men bear more risk exposure in both male- and female-dominated industries and occupations. Interestingly, a significant difference is found when the sample is split into East and West Germany. In many cases, there are no differences in risk exposure for the states which belonged to the former GDR. This reflects that the gender pay gap, in general, and the gender risk gap, in particular, are strongly driven by society.

Session 4: Labour supply

Jürgen Wiemers (Institute for Employment Research – IAB)

Universal, targeted or both: Effects of different child support policies on labour supply and poverty - A simulation study

We study a set of hypothetical reforms of child benefits in Germany using a static tax-benefit microsimulation model augmented with endogenous labour supply and take-up choices. We distinguish between a reform of the universal non-means-tested child benefit, a reform of the mean-tested child benefit under the minimum income scheme, and a combination of both. Since the reforms are associated with different fiscal costs, we consider two different budget closures: an increase in the income tax or the consumption tax. The model simulates the impacts of the reforms on household income, poverty and labour supply. We find that improvements in the means-tested child benefit are well-targeted: They provide a high level of poverty reduction with a low fiscal impact at the cost of reduced labour supply incentives for low-income families. When unconditional benefits are increased, the effect on overall income inequality is more pronounced at the cost of reduced labour supply incentives for middle- and high-income families. Finally, when combined, the two approaches show synergies, particularly in the form of improved poverty reduction.

Maximilian J. Blömer (ifo Institut and HU Berlin)

Recent Trends in Labour Supply Elasticities in Germany

In order to analyse recent trends in labour supply in Germany, I estimate a static discrete choice model of unitary household labour supply for each year 1998 to 2018. I find that the own-wage labour supply elasticities implied by the models have increased over the last two decades, especially for couples around the turn of the century and for single males. While females became less sensitive to their partner's wage, the responsiveness of males to the partner's wage slightly increased. In a decomposition analysis, using counterfactual model-data combinations, I find that compositional changes in demographics play only a minor role in the shift in males' own- and cross-wage elasticities, since most of the change in elasticities is driven by preferences or labour market restrictions. For females, changes in composition play a bigger role in the rise of elasticities

The Impact of Universal Basic Income on Labour Supply Measuring Financial Work Incentives at the Intensive and the Extensive Margin

A universal basic income (UBI) is often the topic of heated academic and public debates. One of the most contested issues relates to work incentives and labour market supply, especially given the inconclusive empirical and theoretical evidence. According to standard economic theory, a basic income would result in a reduction of labour supply as (1) the reservation wage would increase and (2) the taxes necessary to fund a basic income would have an efficiency cost in terms of worsening of work incentives. However, reality is often much more complex than standard theory and the combination of a UBI with other tax-benefit policies may lead to unexpected effects. Differential effects can also be expected for various population groups (e.g. primary or secondary earner, men versus women; with and without children). In this study, we explore the impact of the introduction of a UBI on work incentives in Belgium and the Netherlands – close neighbours but also miles apart in the labour market. And to get a comprehensive picture of the possible effects on the labour supply, we measure not only the incentive to work on the extensive (i.e. to work or not to work) margin, but also on the intensive margin (i.e. how many hours work). We use the tax-benefit microsimulation model EUROMOD, as it is a flexible instrument to answer ‘what if’ questions, such as ‘what if a UBI is introduced...’. We do not rely on hypothetical families, but calculate the participation tax rate and marginal effective tax rate for a representative sample of the population (EU-SILC for the year 2019) using EUROMOD. By comparing the baseline situation with different UBI scenarios, we identify under which conditions and for which groups in the population work incentives would worsen or improve.