

# Minimum Wage in Germany – Evaluation of the Exemption Clause for Long-Term Unemployed

## 1 Context

- Nationwide minimum wage of 8.50 € per hour since 01.01.2015
- Exemption (§ 22 Abs. 4 MiLoG): long-term unemployed (at least one year unemployed)
- Allows below minimum wage payment for first six months at new job
- Economic effects and institutional realization a priori unknown
- Qualitative analysis of institutional actors through interviews
- Quantitative evaluation using own survey and new register data

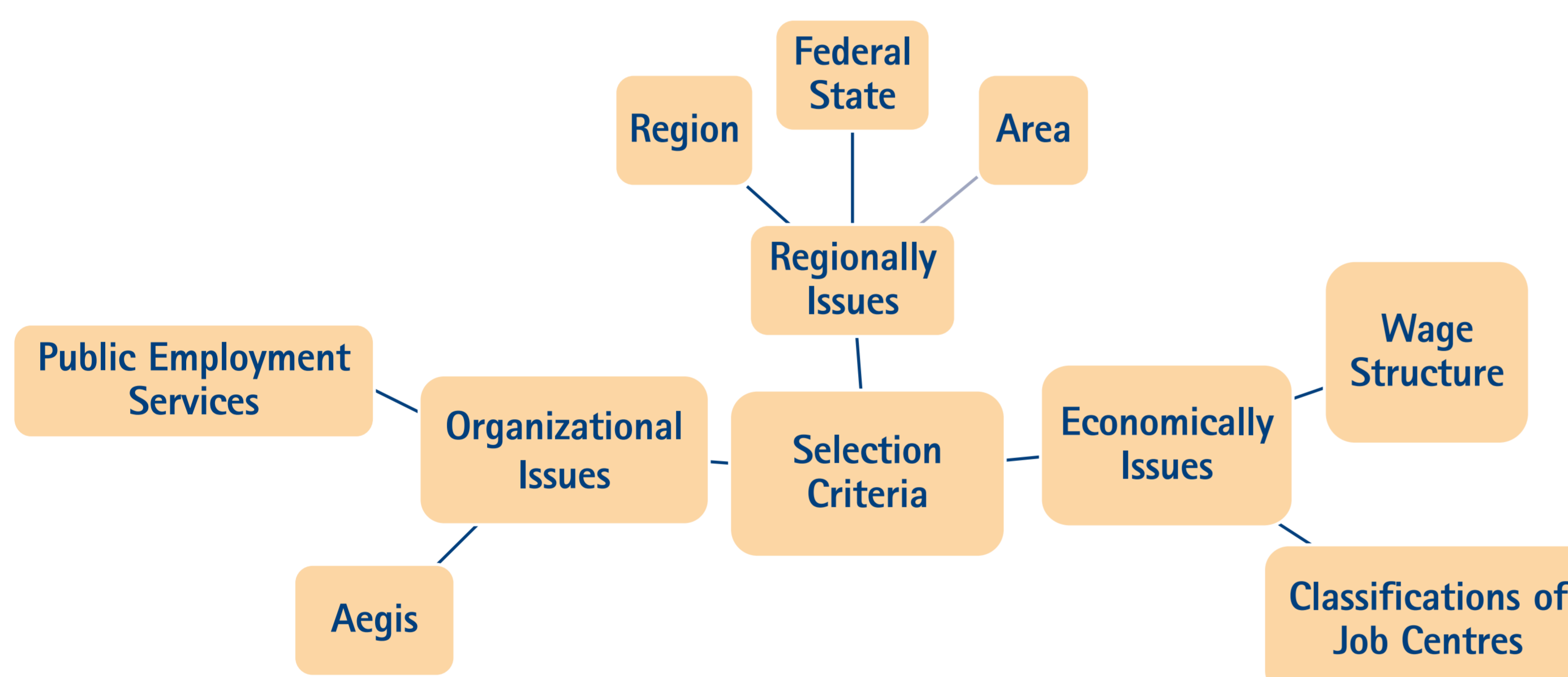
## 2 Research Questions

- Qualitative**
- How do Job Centers appraise the job prospects of the long-term unemployed persons under the exemption?
  - Do Job Centers observe a change in the labor demand of employers?
  - Which consequences does the exemption have on the job placement and employment promotion in Job Centers?
- Quantitative**
- Does the exemption increase the job finding rate of the long-term unemployed?
  - How sustainable are these jobs?
  - Do unemployed bunch at the threshold to long-term unemployment?

## 3 Qualitative: Interviews

	Political Space	Job Centers
<b>Interviewees</b>	Experts e.g. policy makers	Employees in selected Job Centers
<b>Aims</b>	<ul style="list-style-type: none"> <li>– What are the different positions with respect to the exemption?</li> <li>– What are the expert's assessment of the intention, chances and risks of the exemption?</li> </ul>	<ul style="list-style-type: none"> <li>– How do the actors in the Job Centers deal with the exception?</li> <li>– Which effects does the exception have on the practice of job placement and the use of labor market instruments for long-term unemployed within the Social Code II?</li> </ul>
<b>Methods</b>	open guideline-based techniques	<ul style="list-style-type: none"> <li>– open guideline-based techniques</li> <li>– Group discussions</li> </ul>

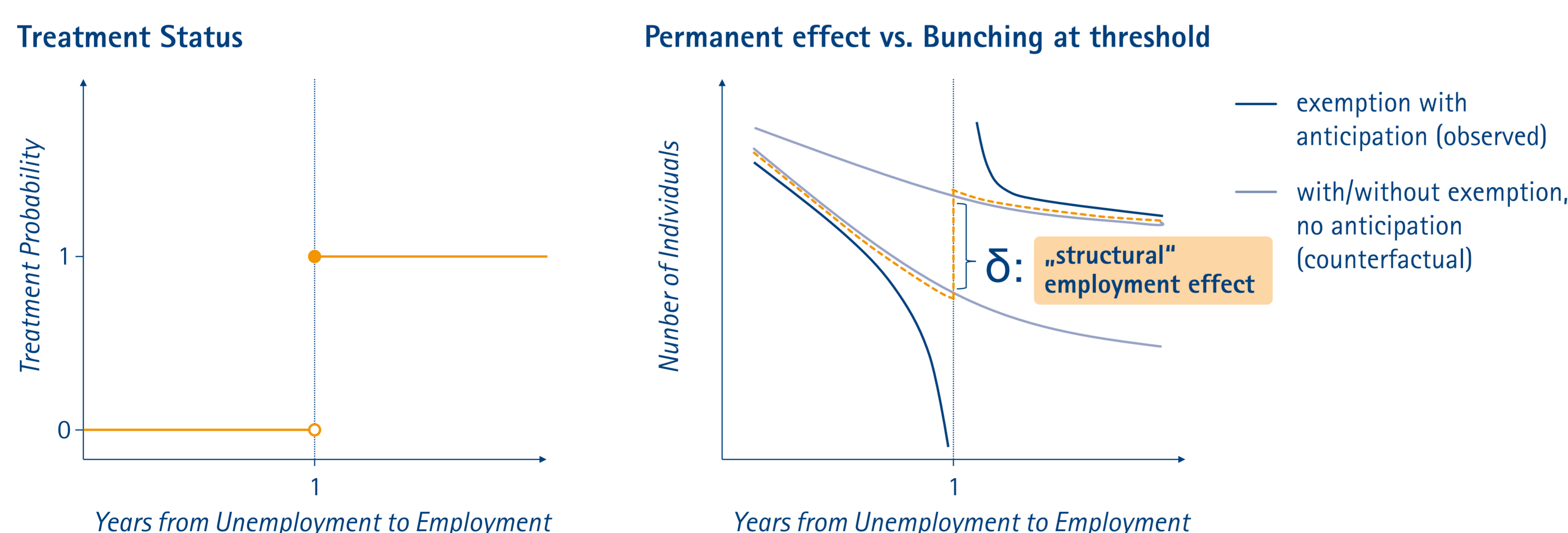
## 4 Qualitative: Selection Criteria for the Job Centers



## 5 Innovative Data

- Own survey data**
- Conduct survey among job seekers, who found a job after more than 7 months of unemployment
  - Three waves: one before, two after minimum wage introduction
  - Realize 4,500 interviews, each wave
  - Modules: job search and characteristics of first job, employment trajectory, role of exemption, socio-demographics
  - Highly targeted: Stratified by exact unemployment duration
- New administrative data**
- Official (un)employment data with short time lag (3 months)
  - Reliable information on individuals and employers
  - Drawback: no wages
- Match survey and admin data

## 6 Quantitative Analysis: Estimation Strategy



- How to estimate employment effect of exemptions clause?
- Sharp assignment of treatment status at entry in long-term unemployment (one year of unemployment).
- At one side, RD design questionable due to potential adjustment of workers and firms around threshold.
- At the other side, usual bunching methods (Saez, 2010) allow only to uncover frictions, not “structural” changes (permanent change in employment probability).
- Combine bunching strategy of Kleven and Waseem (2013) with information before minimum wage as local counterfactual
- Try to distinguish between frictions and “structural” change of employment entries

## 7 Current State & Outlook

- Qualitative**
- Expert interviews accomplished
  - Job interviews currently running
  - Analysis and coding of interviews this autumn
- Quantitative**
- Pre-minimum wage survey accomplished; high agreement to link with admin data (90%)
  - Currently: Preparation of second survey wave, and examination of admin data
- General**
- Financed by: Federal Ministry of Labour and Social Affairs
  - Final evaluation report in May 2016
  - Evaluation results intended to have direct effect on political debate

### Project Team

Sebastian Becker, Dr. Philipp vom Berge, Isabell Klingert, Julia Lenhart, Simon Trenkle, Dr. Matthias Umkehrer