Why are Germans Unemployed but other Europeans Incapacitated?[†)]

Uncovering institutional myths of employment policy success

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1 Introduction

After more than a decade during which the rhetorical 'reform clog'[2] had been piling up ever higher, the dam finally broke in 2004, and Germany ventured into the most far-reaching reform of its labour market policies since 1927. This was meant to be a radical and path-breaking reform, and indeed it was: Germany was the only EU-15 country to simultaneously enact fundamental structural changes of the benefit system for workless people and of the governance and organisation of the public employment service alike without any transitional period (Knuth 2007).

This sudden jolt would not have been politically possible without the universally shared conviction that the German labour market situation was dramatic. Germany was depicted as the "Sick Man of Europe" (Sinn 2003) whose possibility for salvation was questionable (Sinn 2004). Besides sluggish employment creation, high unemployment and, in particular, high long-term unemployment were the principal justifications for the urgency of reforms (Eichhorst 2002). High levels of unemployment were taken as a proof of the German *Standort's* lacking attractiveness for employers to create jobs (Flaig 2005). Countries with apparently lower unemployment and ongoing reforms – the UK, the Netherlands, and Switzerland – were the prominent benchmarks for German reformers (Geschäftsstelle 2002). Also Denmark enjoyed some popularity (cf. Bertelsmann Stiftung 2002; Thode 2002; Frick 2002), although here the German public opinion was ambivalent: The absence of legal employment protection in Denmark was admired, whereas the level and duration of unemployment benefits cast doubts on Denmark's suitability as a model for German reforms.

In this paper, we choose a broader perspective beyond unemployment, thus including all categories of working-age populations not in work. The countries considered are France, Denmark, the Netherlands, the UK and the US – plus Germany, of course. Within the range of data availability, this selection reflects the German policy debate. The focal question is how different national employment systems deal with those parts of the population that are hard to integrate into employment. By complementing OECD data drawn from administrative sources with individual survey data, we are able to control for national differences in demographics, health conditions or skills structure. Using individual data also allows focusssing on hard-to-place target groups like the elderly or the low-skilled, as well as taking gender and nationally specific family models into account.

The paper is organised as follows: Chapter 2 discusses the complementarities of various categories of social benefits available to people of working age in developed welfare states, and it demonstrates their highly divergent proportioning among the six countries under consideration. Chapter 3 introduces the data and variables used. Chapter 4 first takes a descriptive and then a multivariate approach in analysing the data. Chapter 5 concludes with regard to the policy issues involved.

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[2] *'Reformstau'* was elected the German 'phrase of the year' as early as 1997.

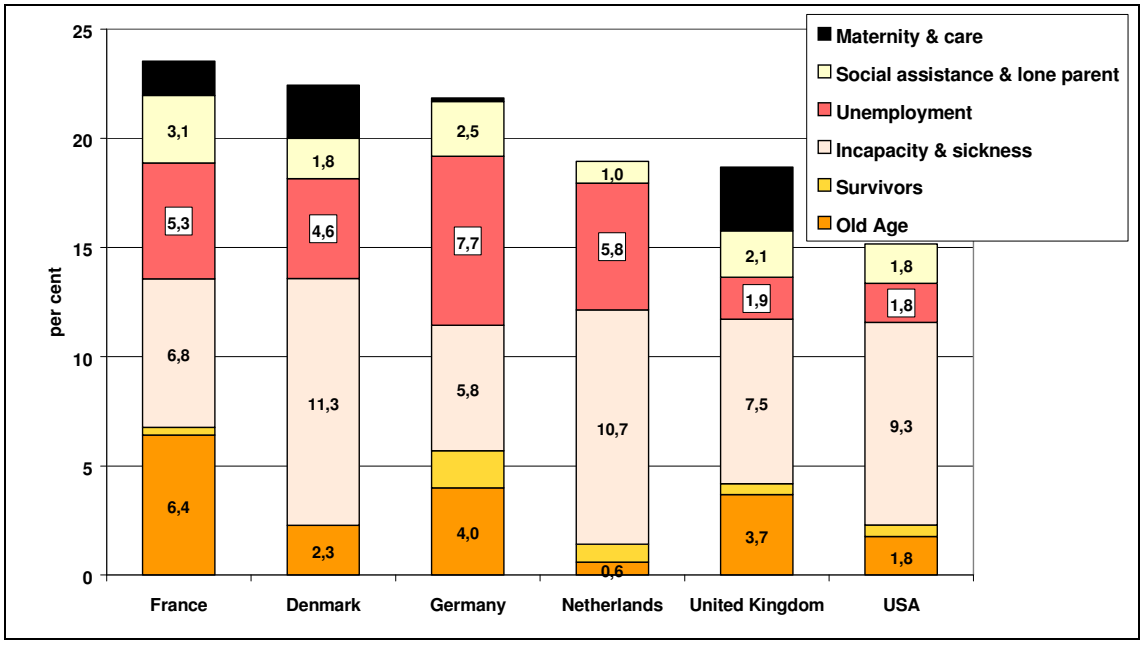
2 Non-employment and recipiency of benefits not related to unemployment

The German debate on mass and long-term unemployment has hitherto largely ignored international research on the trade-offs between different categories of non-employment and the social benefits associated with them. For the US, namely the role of disability insurance benefits as an absorber of labour market shocks, in particular for older and low-skilled males, has been demonstrated for long (Parsons 1980; Gruber/Kubik 1997; Black et al. 2002; Burkhauser et al. 2001; Bound/Waidmann 2002; Autor/Duggan 2003 + 2006 ; Hotchkiss 2004). Similar evidence has been produced for Canada (Gruber 2000; Campolieti 2004), the United Kingdom (Green 1999; Beatty/Fother Gill 2005) and the Netherlands (Becker 2000; Van Vuren/Van Vuuren 2007).

Most of this literature is focused on the fiscal and social consequences of disability benefits in their respective national contexts. Internationally comparative analyses of unemployment, by contrast, tend to take unemployment as a given. It is usually not discussed to what degree the national level of unemployment may not only be influenced by employment opportunities but also by the relative ease of availability of benefits other than unemployment-related wage replacements, which would assign a non-employment status different from unemployment to the persons concerned. In its 2003 Employment Outlook, the OECD has for the first time provided internationally comparative data on recipiency rates of different categories of benefits from 1980 to 1999 (Grubb/Miyamoto 2003). However, the OECD's main concern is about overall 'benefit dependency'.[3] Finn et al. (2005: 18f.), in their Anglo-German comparison of labour market activation and public employment service reform, used this data to underpin that the thrust of the British and the German reforms was aimed at different target groups as far as their benefit status is concerned (see also Finn/Knuth, 2004; Knuth et al., 2004).

[3] Substitution between benefits is discussed as a trap for activation strategies addressing only a single benefit, but the effect of tighter eligibility criteria for disability benefits on "somewhat higher" unemployment levels is not specifically explored (Grubb & Miyamoto 2003: 208ff.).

Figure 1: Percentages of working-age populations (15-64) receiving social benefits, by type of benefit, 2004



Source: OECD databse on Recipients of Social Benefits[4]

Data provided to the authors from the OECD database allow an update of these comparisons for 2004, just before the fourth step of the 'Hartz' reforms in Germany (figure 1).[5] First of all, it seems remarkable how little the overall benefit dependency rates of working-age populations differ between countries, which – according to conventional wisdom – are miles apart in their labour market performances. Even including more countries than shown in Figure 1 will not tell a different story: Western and Northern European countries have to sustain between 18.5 (Ireland) and 23.5 per cent (France) of their working-age populations on some kind of benefit, no matter which welfare regime type they are ascribed to in the different typologies in use. However, the composition of these 'benefit dependent' populations differs vastly by benefit category. France is leading in granting old age pensions before the age of 65; Denmarkis the champion in benefits granted because of incapacity or sickness; and Germany, as would be expected, scores top in benefits related to unemployment, in this respect only rivalled by Belgium (not included in Figure 1). [6] With regard to incapacity benefits, Bound/Burkhauser (1999) demonstrated a similar ranking among the USA, the Netherlands, Sweden, and Germany. Analysing representative survey data of people

[4] Unpublished estimates supplied to the authors by Mr. Peter Whiteford, OECD.

[5] Obviously, there is a host of issues around the internationally comparable classification of benefits. Definitions used by the OECD for figures depicted in Figure 1 can only be inferred from Grubb & Miyamoto 2003: 221ff., but may have changed since. This is obviously true for the 'incapacity and sickness' category which were two separate categories in 2003. By merging these categories, the obvious trade-offs between the duration of statutory sick pay provided by employers, sickness allowance from social insurance funds (where they exist), and disability pensions is somewhat neutralised.

[6] Denmark is only topped by Sweden, when including all the countries for which data are available.

aged between 50 and 65, Börsch-Supan (2007) provides evidence that internationally highly different incapacity rates cannot be attributed to differences in health status or demographic factors but appear to be primarily caused by institutional differences.

From these comparisons it may be inferred that an international benchmarking of labour market performance should not be based on employment and unemployment rates alone, as is the standard procedure. Alternative states of non-employment qualifying for a benefit must be taken into account when comparing unemployment; national family policies and breadwinner arrangements must be considered when comparing employment. In this perspective, a social benefit status like unemployment or incapacity for work is not a 'given fact' but the result of a complex interaction between institutional gatekeeping before alternatively available categories of benefits, employment opportunities and incentives, and personal characteristics relevant to employability. Aggregate data from administrative sources, like the data presented in Figure 1, can give only hints to the importance of institutional differences. It seems unlikely that Danes are almost twice as sick as Germans, but perhaps they are. In order to assess to what degree institutional differences matter one needs individual data including at least some personal characteristics.

The following analysis endeavours to shed some light on the significance of institutional factors on the basis of individual survey data. While Börsch-Supan (2007) used a survey of only older people aged 50plus, we are using surveys of entire populations. This allows examining to what degree cross-country differences are caused by different status ascriptions only in old age or across all ages. Besides age, gender and level of educational attainment will be the main dimensions of differentiation.

3 Data and strategy of analysis

3.1 Data

The following analyses are based on the European Social Survey (ESS). The ESS is a family of currently 24 nationally representative population surveys using a common questionnaire[7] and financed jointly by the European Commission, the European Science Foundation and the respective national research councils. There are currently three waves available, 2001, 2004 and 2007. While restricting our European comparison to Germany, France, the Netherlands, Denmark, and the UK, we are including the 2005 US survey 'Citizenship, Involvement, Democracy' (CID) which used identical questions in some of the subject matters we are concerned with. Because the CID data comes from 2005 we decided to use the 2004 ESS data for our analyses. For the six

[7] Great care has been taken to develop questions that will be understood in comparable ways in the different languages and cultural contexts concerned. See http://www.europeansocialsurvey.com/ for details.

countries involved, we select respondents aged 20 to 67 as a proxy for 'working age', which leaves the responses of 8,511 individuals for analysis.[8]

3.2 Categories of activity and inactivity

The dependent variable for our analysis is non-employment of different categories. It was constructed from answers to the following question included in both the ESS and the CID:

> *„Which of these descriptions applies to what you have been doing for the last 7 days? Select all that apply."*

There are nine different answer categories that are documented in the first colum of table 1. Respondents who had chosen more than one category were asked to select the one that would "best" describe their situation in the last seven days. Our analysis is based on this principal status reported for the last seven days except when "in paid work" had been combined with "doing housework, looking after children or other persons": such respondents were labelled 'employed', in accordance with international labour force statistics. As indicated in table 1, some categories were consolidated because they were too small. Therefore, we use five different categories of non-employment ('unemployed', 'incapacitated', 'retired', 'household and care' and 'others') for our descriptive analyses. For the purpose of multivariate analysis, the number of categories was reduced even further by merging 'household and care and 'others' to the category 'labour reserve', as indicated in the right hand column of table 1.

It should be noted that these subjective status ascriptions in a survey do not necessarily correspond to a person's 'objective' administrative status definition. For example, older German respondents receiving unemployment benefits may have described themselves as 'retired' because unemployment was (and, to some degree, still is) an accepted pathway into retirement in Germany. However, this 'misreporting' is a social reality in itself. Besides, letting people describe their own status in rather broad, cross-nationally applicable terms and making them choose one status ascription as the principal one solves, in a rather elegant way, many tedious problems of international comparability of social benefits as well as problems of status overlap and resulting double-counts. In order to attain a benefit status people have to apply and to define their situation in a certain way, which will shape their self-perception. It may therefore be assumed that response patterns regarding a person's employment or non-employment status are less culturally specific than has been demonstrated with regard to subjective well-being (cf. Jürges 2007), the degree of a person's impairment (cf. Kapteyn et al., 2007), or subjective job insecurity (cf. Erlinghagen 2007).

[8] We include respondents up to an age of 67 because the data only provides information on the year of birth and we are, therefore, only able to calculate the approximate but not the exact age. Thus, including respondents up to an age of 67 ensures that we really cover the working age population.

Table 1: Response and consolidated categories

original response categories	consolidated and abbreviated categories	
	descriptive analysis	multivariate analysis
in paid work	employed	
unemployed and actively looking for a job	unemployed	
unemployed, wanting a job but not actively looking for a job		
permanently sick or disabled	incapacitated	
retired	retired	
doing housework, looking after children or other persons	household and care	labour reserve
in education	other	
in community or military service		
other		
don't know		
refusal		
no answer		

3.3 Control variables

It is reasonable to assume that being employed as well as being in one or the other sub-category of non-employment is influenced by socio-economic and demographic factors. If national populations would greatly differ in these respects then these differences rather than institutional differences might explain different national benefit recipiency rates as well as the distribution among non-employment categories. Within the limits of the variables available in the ESS, we are controlling for gender, for age, for educational levels (higher and lower)[9], and for subjective health status ([very] good, satisfactory, [very] poor). The choice of control variables was somewhat restricted by differences between the ESS and the CID, which are only partially congruent.

Against the backdrop of contemporary discourses on labour market performance and labour market policies we found it desirable to include the US in our analysis and therefore acceptable to make some compromise regarding the richness of variables. However, we alternatively estimated multinomial regressions including additional control variables only available in the ESS, thus excluding the US. In these models, two

[9] International comparisons of educational attainment are problematic. The ESS uses a standardised educational indicator based on the ISCED-97 classification (cf. OECD 1999). In order to dichotomise the education variable, ISCED categories 0 to 2 were recoded as 'lower educational level', whereas categories higher than 2 were labelled 'higher educational level'. Unfortunately, the CID does not follow the ISCED standard. We have therefore assumed a 'lower educational level' up to 'some college, no four-year-degree', and a 'higher educational level' for anything above that.

more health indicators were included: the respondents' assessment of restriction in daily activities by a chronic health condition[10], and the incidence of calling a doctor during the past 12 months (0 to 3, 4 to 10, and more than 10 visits). Furthermore, the size of the household and the partnership status (living with partner or alone) were included in the models. While the overall fit of the models was slightly improved by this extension, the basic findings regarding country differences remained unchanged. We therefore document these extended models only in the regression tables in the annex, while restricting the graphic representations to the models poorer in individual variables but richer in countries covered.

4 Results

4.1 Descriptive approach

In Figure 2, the composition of non-employment states is visualised in a comparison between the six countries concerned. Contrasting with Figure 1, 'household and care' is included as a non-employment category only partially reflected in 'maternity and care' benefits in the administrative data in Figure 1. The breakdown by gender shows that household and care is still largely a female category in all the six countries, with the exception of older Dutch men (Figure 2) as long as their educational level is not low (Figure 3). The vast differences between 2.4 per cent (Denmark) and 12.9 per cent (Netherlands) of working-age respondents describing their status as being in 'household and care' underline how far Western developed countries are still apart in terms of their family models.

Not surprisingly, the overall order of magnitude of non-employment is somewhat higher than that of benefit recipiency in Figure 1, since people may report to be unemployed, unable to work, or retired without receiving unemployment benefits, incapacity benefits or a pension, respectively. Besides, the surveys include states like 'household and care' and 'in education' (part of 'other') which are not normally associated with a benefit. Nevertheless, subjective self-ascription of status appears to match administrative status ascription in a remarkably close fit. The nationally specific dominance of certain categories is reproduced: Germans, if not working, tend to be unemployed or retired, but rarely incapacitated; non-working British and Dutch tend to be incapacitated. However, much fewer Danes report that status than the administrative data would lead to expect.[11] Likewise, for the US, subjective reporting appears to produce a shift from incapacitation to unemployment in comparison to the administrative count (cf. Figure 1). With regard to the status 'other' it should be kept in mind that this includes education and that we are considering populations aged from 20 years onward.

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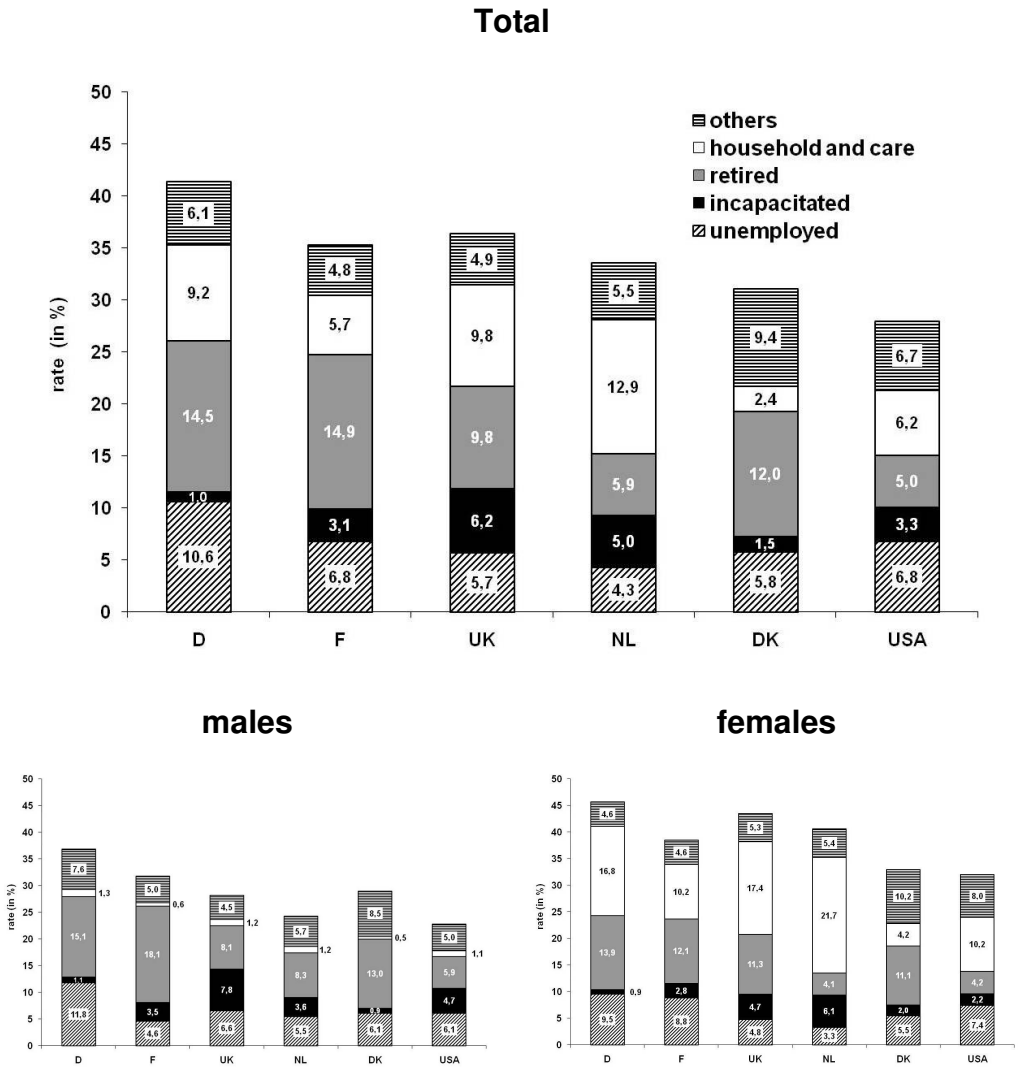
[10] *Are you hampered in your daily activities in any way by any longstanding illness, or disability, infirmity or mental health problem?* [Yes a lot + Yes to some extent = Yes], No.

[11] A tentative explanation for this finding will be discusses on p. 15.

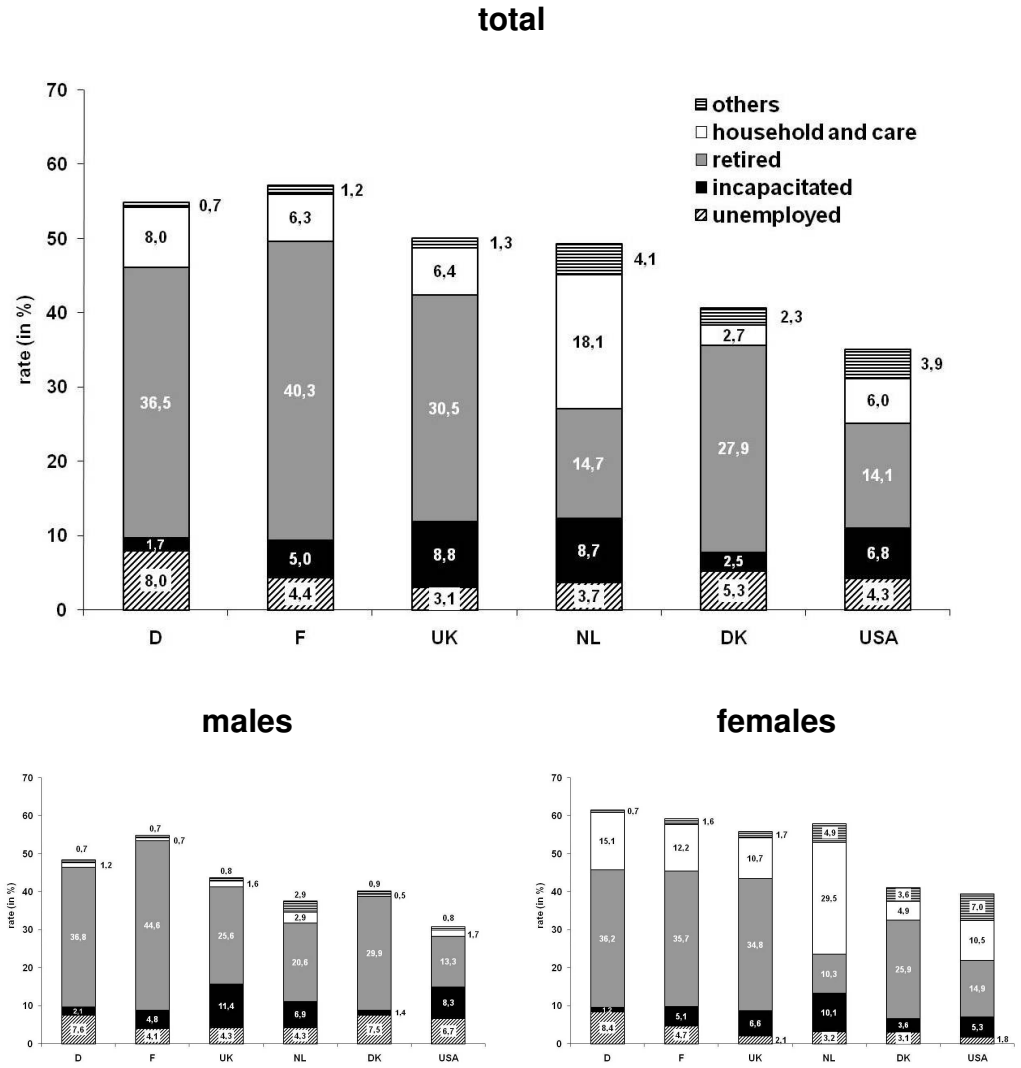
Figure 2: Percentages of populations 20 to 67 by categories of non-employment, 2004/2005 (total and by gender)



Source: ESS and CID (weighted),own calculations

Restricting the analysis to respondents aged 50plus (but, to remember, no older than 67), it does not come as a surprise that overall percentages of non-employment get much higher and that retirement becomes the most important category in most countries (Figure 3). Dutch older women are a notable exception since they tend to describe themselves as housewives rather than retirees. The ranking order of countries is reciprocal to that of European employment rates. National specificities remain: Unemployment is highest among older Germans, while incapacitation is rare in Germany even in older age. The UK and the Netherlands remain in the frontline with regard to incapacitation, but the US catches up when looking only at older respondents. A tentative conclusion would be that incapacitation serves as an alternative to poor pensions in the US, while unemployment is the alternative state resulting from narrow gatekeeping before incapacity benefits in Germany.

Figure 3: Percentages of populations 50 to 67 by categories of non-employment, 2004/2005 (total and by gender)



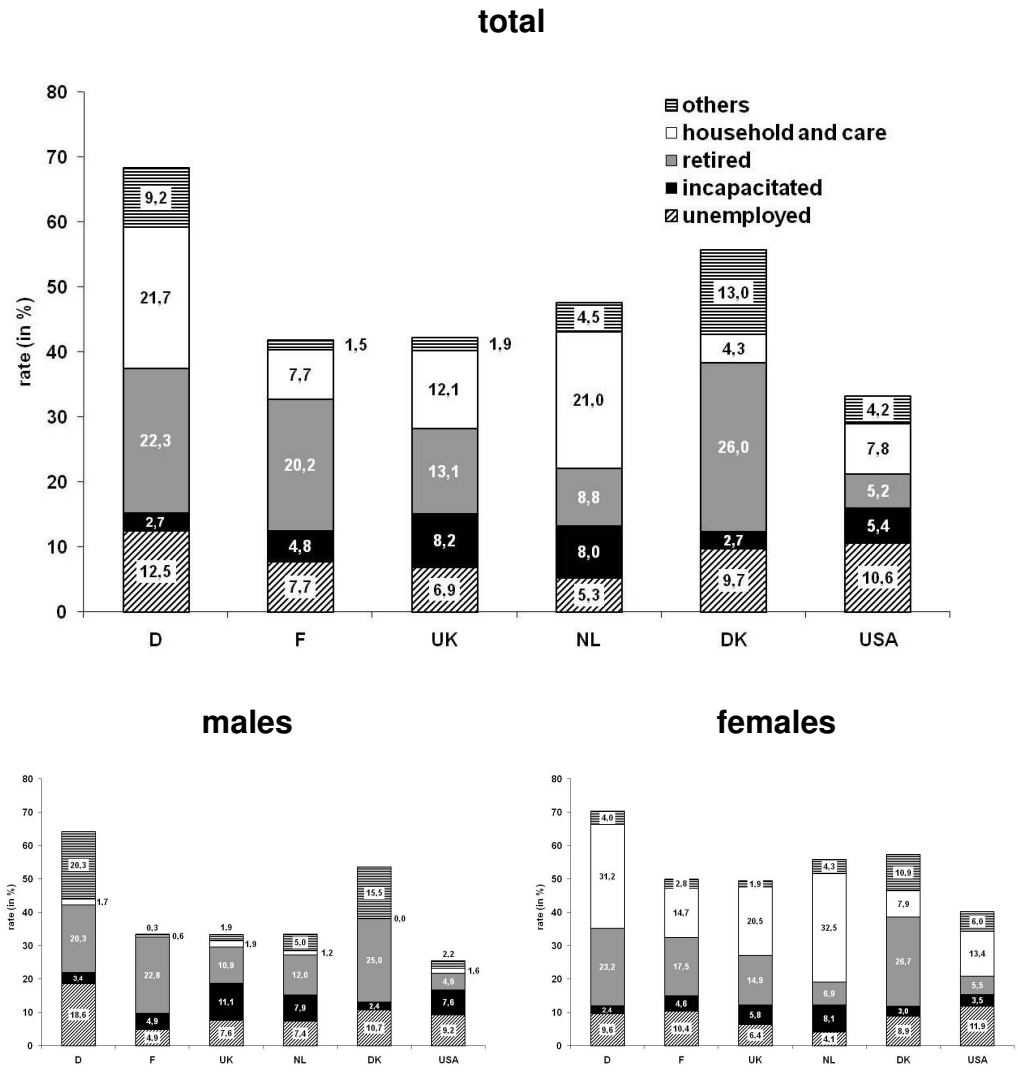
Source: ESS and CID (weighted),own calculations

Restricting the analysis to respondents of lower educational level provides yet another perspective. It should be noted that again the whole range of ages from 20 to 67 is taken into account. With this in mind, cross-national differences become remarkable. Germany and Denmark are the countries where respondents of lower educational level suffer the highest risk to be excluded from employment.[12] High proportions of the category 'other' in these two countries can, to some degree, be attributed to labour market training programmes. Germany and Denmark are also the countries with the highest proportion of retirees among the low-skilled population. Not surprisingly, in

[12] Measurement of the years of schooling in the ESS includes vocational schools attended while serving an apprenticeship. This implies that German respondents with ISCED level 2 by definition have no recognised vocational degree. In a labour market relying strongly on 'signalling' through certificates, this is a powerful mechanism of exclusion.

most countries under consideration, 'household and care' as a status description is more common among low-skilled women than in the female population as a whole.

Figure 4: Percentages of populations 20 to 67 with lower educational level by categories of non-employment, 2004/2005 (total and by gender)



Source: ESS and CID (weighted),own calculations

4.2 Multivariate approach

Aggregates of administrative as well as survey data have shown that there are not only high differences between countries with regard to inactivity as a whole but even higher differences in the relative importance of specific categories of non-employment. In this perspective, unemployment emerges not only as the counterpart of employment but also as the complement of other socially accepted and institutionally defined states of non-employment. To some degree this might be caused by national differences in demographic or socio-economic composition. The health status of British people might be more likely to be fragile and thus warranting an incapacity status than in other

countries, while population ageing might be more advanced in France, thus warranting a higher proportion of pensioners even when looking only at persons no older than 67.

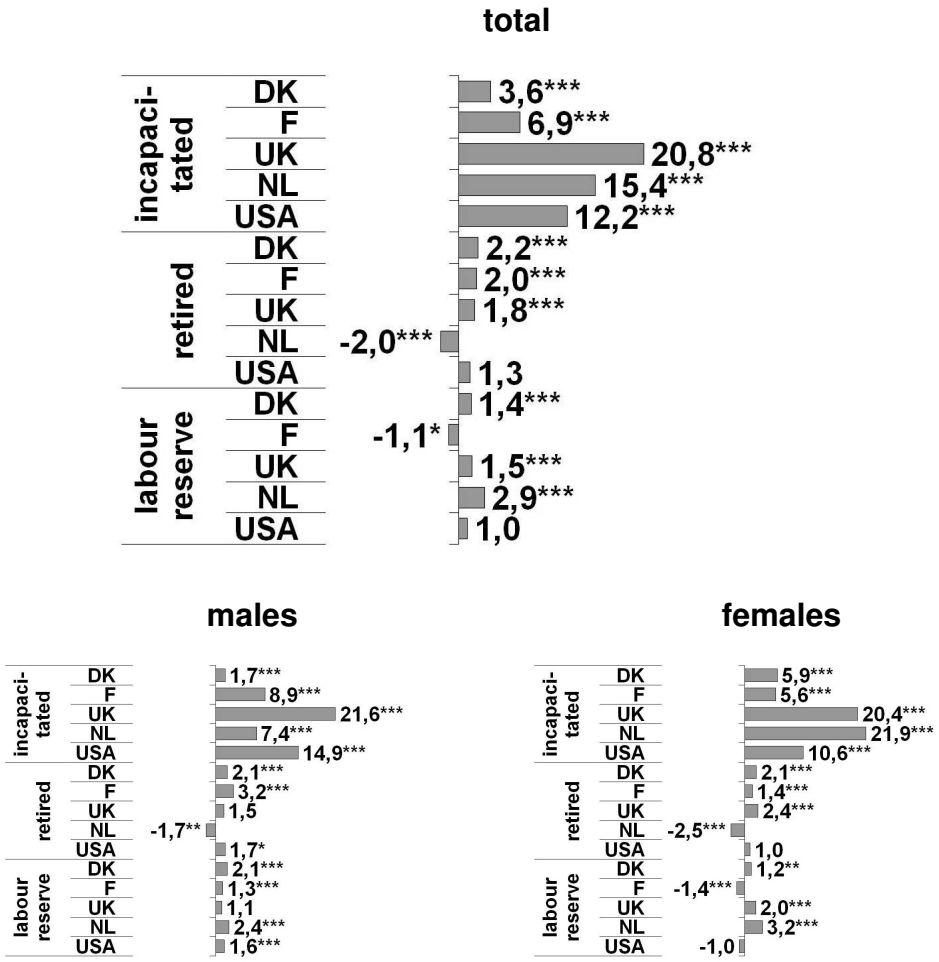
In order to control for such differences, multinomial logistic regressions have been estimated. Relative Risk Ratios (RRR) were calculated instead of coefficients.[13] Our estimations include all control variables described in section 3.3 above. It should be noted that figures 5 to 7 only show the RRR's for the different countries graphically but the results for the other control variables are omitted. The complete estimation results can be found in the annex of this paper.

In figures 5 to 7 the reference categories are 'German' and 'unemployed', so that these categories do not appear explicitly. For example, the first bar in the upper part of Figure 5 means that a non-employed Danish person of the same age, gender, skills level and health condition as a German non-employed person has a 3.6 times higher chance to describe his or her status as 'incapacitated' rather than 'unemployed'. For the UK, the respective value is 20.8. Most RRR values for the five countries are positive in comparison to Germany, and the few negative ones are small and sometimes not statistically significant. However, incapacitation is the category of non-employment that is prominent far above anything else in this comparison.

In reverse, this means that even without considering national employment levels, the risk of unemployment is higher in Germany than in the other five countries under consideration, and the most important institutional factor accounting for this is more restricted access to incapacity status. With regard to incapacitation, gender makes no significant difference, whereas it is highly significant for labour reserve status, as would be expected. Again, it should be remembered that we are comparing individuals of subjectively identical health status. Including additional health indicators of a more factual quality, like the number of consultations, and thus of necessity excluding US respondents for whom this information is not available, does not reduce but increase the incapacity RRR for all the countries except Denmark (cf. Table A1 in the Annex).

[13] An RRR of '1' means identical risk, values >1 increased and values <1 reduced risk ratio. For the sake of graphical clarity, RRR values between 0 and 1 have been represented as negative reciprocal values (1/RRR*[-1]), thus producing bars extending to the left for reduced risk ratios. Detailed estimates are provided in tables A1 to A3 in the annex.

Figure 5: Relative risks of reporting categories of non-employment other than unemployment in international comparison to Germany



*significance: * p <=0,1 ** p <=0,05 *** p <= 0,01*

reference category: Germany and unemployed

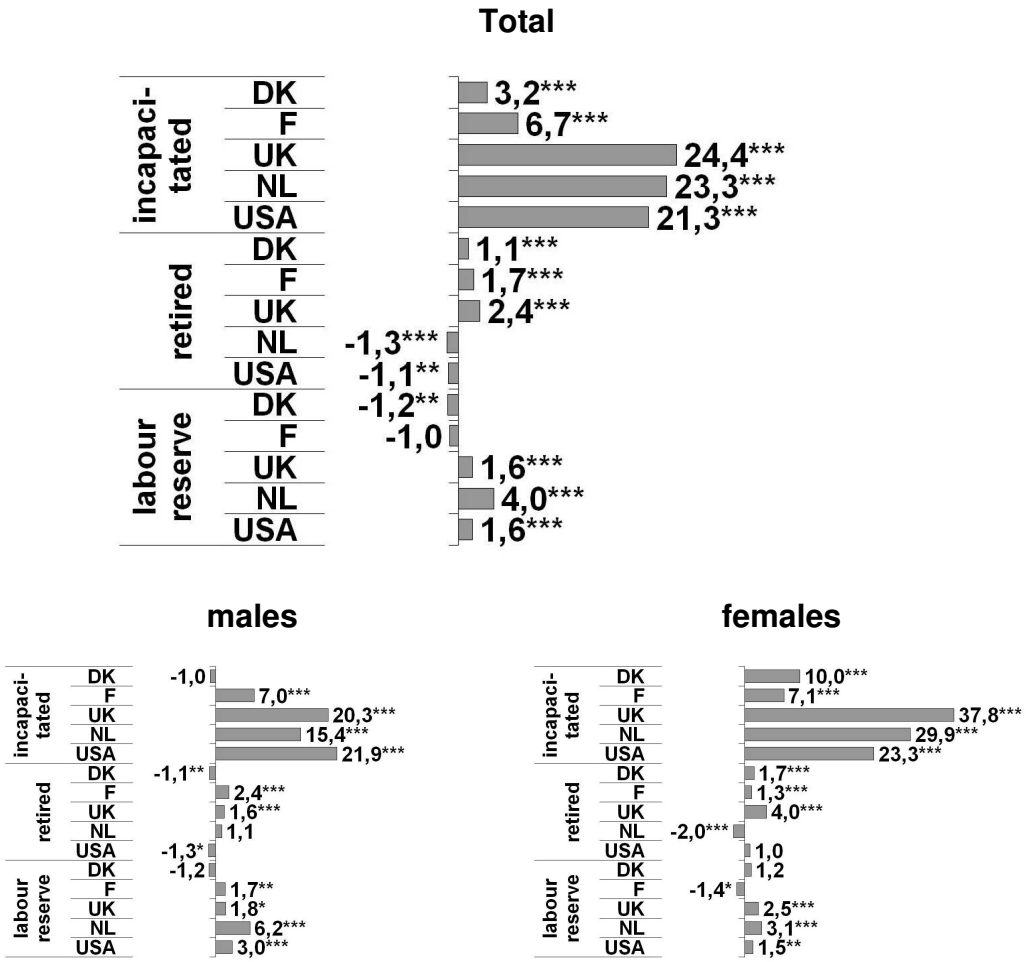
control variables: age, gender, educational level, subjective health

Source: ESS & CID (authors' calculations), estimated with robust standard errors

While corroborating and explaining some of the cross-country differences in the OECD data (Figure 1), our data also give rise to questions about obvious inconsistencies between aggregate administrative counts on the one hand and self-reporting in the European Social Survey on the other. This is particularly true for the survey category "permanently sick or disabled" (abbreviated in our graphs and tables as 'incapacitated') which differs from the OECD data in that it does probably not, in the respondents' perception, include employers' sickness pay, maybe not even social security sickness

allowances. The understanding of the concept of 'permanent' sickness in particular appears to depend very much on the national context.[14]

Figure 6: Relative risks of reporting categories of non-employment other than unemployment in international comparison to Germany (ages 50 to 67 years only)



*significance: * p <=0,1 ** p <=0,05 *** p <= 0,01*

reference category: Germany and unemployed

control variables: age, gender, educational level, subjective health

Source: ESS & CID (authors' calculations), estimated with robust standard errors

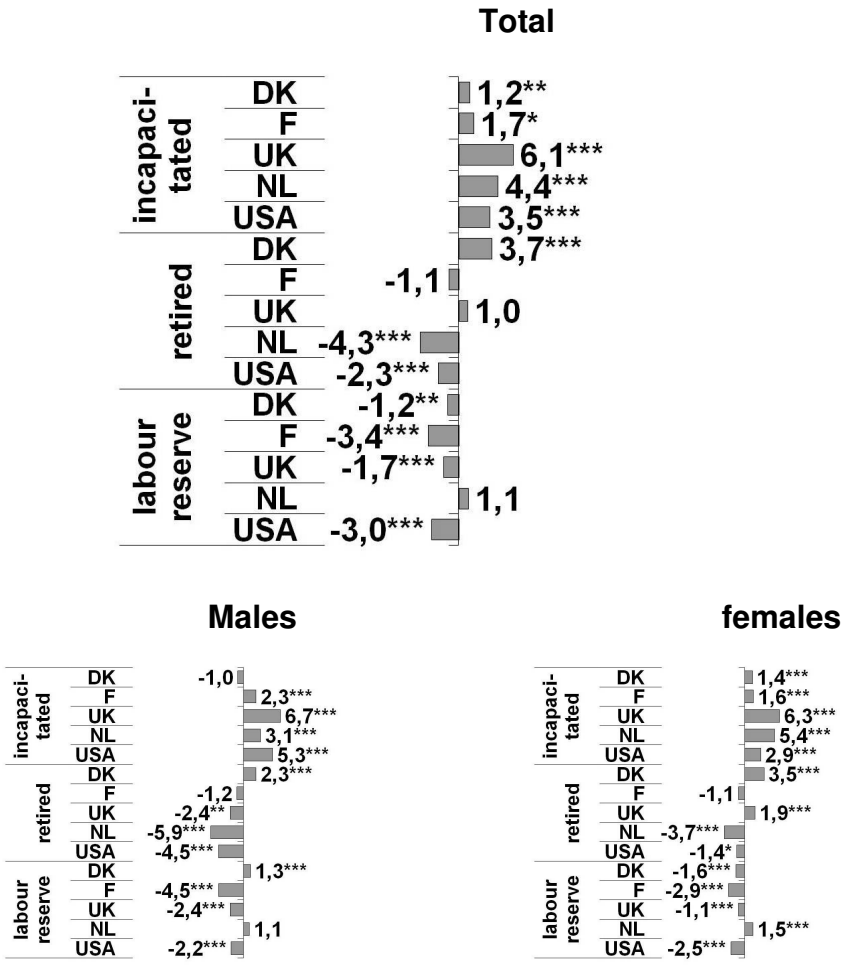
Focussing on the age group 50 to 67 alone, the relative risk ratios for incapacitation instead of unemplyoment become higher for the UK, the Netherlands, and the US (Figure 6). For older women in particular, they are higher in all countries considered

[14] To confuse matters more, the translation in the German ESS questionnaire *"chronisch krank oder behindert"* in this case appears awkward by using a medical term ('chronic disease') that does not necessarily preclude being 'in paid work' or being 'unemployed and actively looking for a job'. But if this were to invite employed and unemployed German respondents to define their situation primarily through their diagnosis of, e.g., diabetes, this would work in the opposite direction of what we observe.

than for women across the whole range of ages. In the UK, the RRR of older women to report incapacitation rather than unemployment, in comparison to German older women, is nearly 40.

Restricting the model to respondents with low educational level yields a somewhat different picture (Figure 7): RRR values for incapacitation rather than unemployment become lower, while those for retirement and labour reserve become negative. In reverse, low-skilled German respondents are more likely than other nationalities to report retirement (with the exception of British women) or labour reserve status (with the exception of Dutch respondents of both sexes) rather than unemployment.

Figure 7: Relative risks of reporting categories of non-employment other than unemployment in international comparison to Germany (lower educational level only)



*significance: * p <=0,1 ** p <=0,05 *** p <= 0,01*

reference category: Germany and unemployed

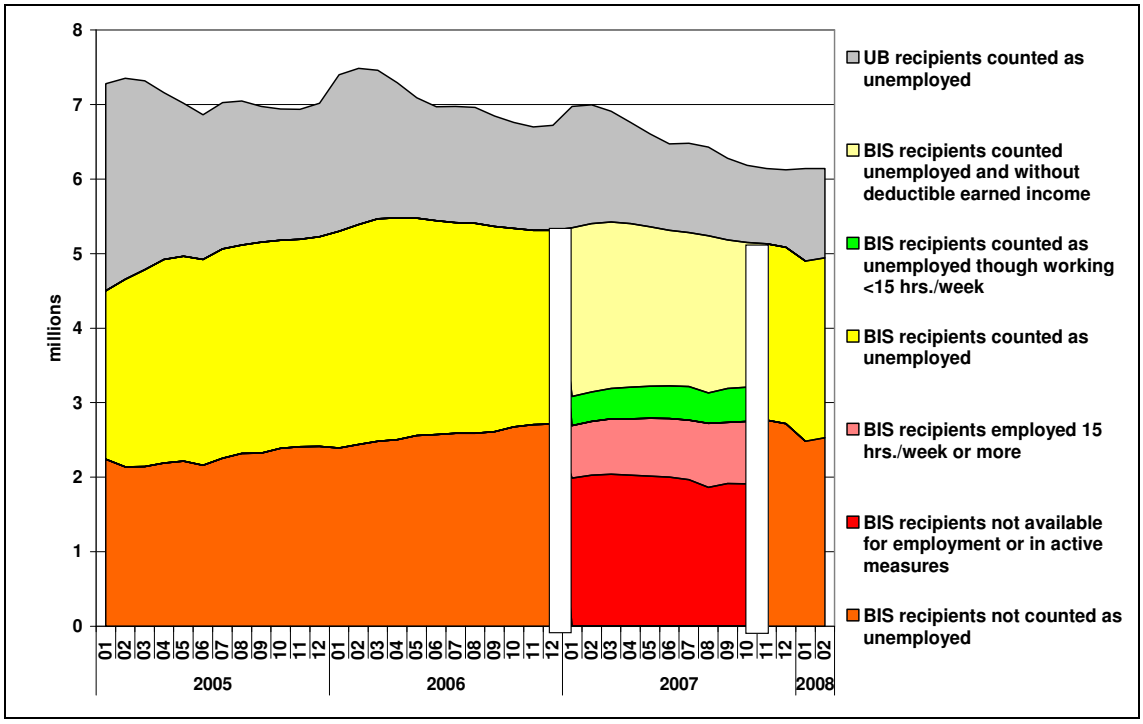
control variables: age, gender, subjective health

Source: ESS & CID (authors' calculations), estimated with robust standard errors

5 Recent German developments

After three years of struggling hard to implement the fourth stage of the 'Hartz' reforms albeit under favourable conditions of growing labour demand, Germany experiences a halving of the number of unemployed persons receiving contribution-based unemployment benefits, most of whom are, by definition of benefit duration, short-term unemployed. By contrast, however, the number of unemployed recipients of tax-funded basic income support, about half of them long-term unemployed, has only slightly decreased, and the number of recipients of this benefit who are too distant from the labour market even to be counted as unemployed is stagnating (cf. Figure 8).

Figure 8: Persons receiving unemployment benefits and basic income support, by employment and unemployment status, Germany, 2005 to 2008



Source: Federal Employment Agency Statistics Website, March 18, 2008

Before hastily concluding that reforms have failed one should make a realistic assessment what effect they could have possibly had. For example, low UK unemployment figures are often taken as a proof for the success of the Jobcentre Plus reform. However, these figures were low even before the reform started. The main objective of the reform was to re-activate recipients of, among other categories, incapacity benefits (cf. Finn et al., 2005), but their numbers hardly fell.[15] There is evidence that pushing the unemployed towards 'activation' has actually crowded part of them out into incapacity benefits (Clasen et al. 2006). A recent comparison of activation policies in four countries finds only modest employment effects (Fromm/Sproß 2008).

It remains to be seen whether Norway will be more successful with its ongoing merger of the Public Employment Service with the National Social Insurance Directorate, a far-reaching institutional reform aimed at the activation of people in disability benefits (cf. Overbye, 2007).

Against the backdrop of our analysis of European Social Survey data it can be reasonably assumed that among the almost four million non-working but working-age recipients of Basic Income Support for Jobseekers, whether officially counted as unemployed or not, there is a considerable core of persons whose non-employability is permanent and unchangeable even though they are legally considered as able to work. To the extent that other countries offer such persons a benefit status not related to a work requirement, their overall distribution of the 'benefit dependent' population will not at all be comparable to that of Germany. Incidentally it still remains to be seen how the OECD, when updating its comparisons beyond 2004 and thus into the era of the German 'basic income support for jobseekers', will classify a benefit ostensibly tied to a work requirement but with a claimant population in which the unemployed count less than half. Likewise, it is an open question how recipients will subjectively assess their status in surveys.

Since Germany has traditionally been relatively strict with disability pensions and tightened eligibility criteria even further since 2001, it has now concentrated almost its total needy population of working-age in one benefit category called 'basic income support for jobseekers'. This might be a favourable precondition for a holistic and multi-angle approach to their activation and eventual integration into employment or at least towards other forms of social inclusion. However, after a short period of 'creative chaos' with experimentation and innovation, the new German system of employment services is facing more intense governance struggles than ever, threatening activation policies with deadlock. At the end of the day, the fourth stage of the 'Hartz' reforms may have effectuated little more than demarcating broader 'fringes of society'.

6 Conclusions

There is no doubt that the German employment rate is lower than that of important countries of reference, including the US. High German levels of unemployment are normally directly attributed to low employment levels. High rates of long-term unemployment as well as high unemployment risks in 'problem' groups like older or low-skilled workers are taken as proof of an unsatisfactory integrative capacity of the German labour market. According to conventional wisdom, this rigidity of the German labour market can only be overcome by extensive deregulation and welfare retrenchment. Countries like Denmark, the Netherlands, the UK or the US are referred to as positive examples how low levels of regulation or benefits can keep unemployment down, or how institutional reforms can reduce it.

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[15] Cf. DWP website, downloaded on February 15, 2008: http://83.244.183.180/100pc/ibsda/ccdate/ccbencod/a_carate_r_ccdate_c_ccbencod.html

However, analyses presented above demonstrate how questionable the equation of 'low employment = high unemployment' actually is because categories of non-employment different from unemployment are left out of consideration. In Denmark and France, and even more so in the Netherlands, the UK and the US, non-employed individuals of otherwise comparable socio-economic characteristics have a much higher likelihood to describe themselves as incapacitated, whereas German respondents are more likely to report their status as unemployed. Inaccurate and subjective as this self-ascription of status may be, it adds to our knowledge derived from aggregate administrative data because it allows controlling for individual characteristics.

Our findings emphasize that international comparisons of labour market performance in general or of the impact of labour market and social policy reforms in particular should not be confined to employment and unemployment rates. Even standardised ILO/Eurostat unemployment rates based on survey data are strongly correlated with institutional status ascriptions. Consequently, something like a 'true' unemployment figure suited for comparisons of labour market performance simply does not exist. Making allowance for alternative forms of non-employment and considering the cultural and institutional factors governing access to them will enrich our knowledge about the different modes of functioning in national labour markets. Ignoring such factors may be instrumental in talking a nation into a hasty reform, but it does not provide a realistic assessment of a country's social and economic situation.

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Annex

Table A1: Relative Risk Ratios of multinomial regressions (total population)

incapacitated	**total**		**male**		**female**	
Denmark	3,61***	3,25***	1,73***	1,99***	5,93***	4,95***
France	6,89***	8,60***	8,94***	13,02***	5,55***	6,55***
UK	20,83***	21,86***	21,63***	33,35***	20,35***	18,15***
Netherlands	15,45***	15,95***	7,44***	12,16***	21,90***	17,60***
USA	12,22***	–	14,86***	–	10,63***	–
age	1,05***	1,02***	1,05***	1,03**	1,05***	1,03***
female	0,76	0,72	–	–	–	–
lower educational level	1,12	1,11	0,70	0,92	1,54*	1,24
subj. (very) good health	0,12***	0,27***	0,13***	0,22***	0,11***	0,30***
subj. /(very) poor health	7,01***	4,23***	6,74***	3,81***	7,88***	4,76***
hampered in daily activities		7,65***		7,06***		7,36***
4-10 consultations		1,28*		1,28		1,18
>10 consultations		2,36***		3,44*		1,89***
number of people in household		0,79***		0,81**		0,79***
living with partner		1,27		1,30		1,35
retired						
Denmark	2,21***	2,08***	2,14***	2,07***	2,06***	2,18***
France	2,03***	1,84***	3,26***	2,72***	1,36***	1,29***
UK	1,83***	1,66***	1,50	1,45	2,35***	2,28***
Netherlands	0,50***	0,43***	0,60**	0,52***	0,40***	0,37***
USA	1,26	–	1,74*	–	1,02	–
age	1,26***	1,25***	1,26***	1,25***	1,28***	1,26***
female	0,67**	0,61**	–	–	–	–
lower educational level	1,16	1,01	1,10	0,94	1,11	0,99
subj. (very) good health	0,89	1,14	0,52**	0,82	1,22	1,21
subj. /(very) poor health	1,65*	1,30	0,90	0,61	3,08***	2,41**
hampered in daily activities		1,29		1,68		1,00
4-10 consultations		1,09		1,23*		0,92
>10 consultations		1,44		1,88		1,20
number of people in household		0,83**		0,74**		0,88
living with partner		1,15		1,66		1,16
labour reserve						
Denmark	1,38***	1,45***	2,09***	2,19***	1,17**	1,36***
France	0,85*	0,84*	1,33***	1,38***	0,70***	0,69***
UK	1,54***	1,51***	1,10	1,11	2,01***	2,27***
Netherlands	2,89***	3,17***	2,36***	2,52***	3,21***	3,71***
USA	1,02	–	1,61***	–	0,98	–
age	0,98*	0,97**	0,94***	0,94***	1,00	1,00
female	3,50***	3,33***	–	–	–	–
lower educational level	1,17	1,04	1,86**	1,72*	1,11	0,96
subj. (very) good health	1,54***	1,47***	1,86***	1,92***	1,52***	1,32*
subj. /(very) poor health	1,22	1,15	1,27***	1,34	1,51	1,35
hampered in daily activities		0,95		0,99		0,83
4-10 consultations		0,90		1,15		0,79
>10 consultations		0,94		1,21		0,90
number of people in household		1,11*		1,12		1,14
living with partner		1,60***		0,81		2,45***
Pseudo-R^2	0,3866	0,4181	0,4506	0,4830	0,3418	0,3825
n	3073	2837	1218	1131	1855	1706

*ref. category for dependent variable: unemployed / significance: *** p < 0,01 ** p < 0,05 * p <= 0,1*

source: ESS (round 2) & CID, authors' calculations (estimates with robust standard errors)

ref. category for controls: Germany, male, higher educational level subj. health: fair, not hampered in daily activities, 0-3 consultations, living alone

Table A2: Relative Risk Ratios of multinomial regressions (population aged 50 and older)

incapacitated	**total**		**male**		**female**	
Denmark	3,22***	3,46***	0,99	1,39*	10,05***	8,88***
France	6,73***	8,83***	6,97***	12,76***	7,11***	7,99***
UK	24,41***	31,48***	20,35***	38,89***	37,81***	33,80***
Netherlands	23,44***	30,16***	15,39***	31,51***	29,87***	27,95***
USA	21,29***	–	21,94***	–	23,29***	–
age	–	–	–	–	–	–
female	1,10	1,14	–	–	–	–
lower educational level	0,98	1,08	1,08	1,37	0,86	0,80
subj. (very) good health	0,08***	0,19***	0,08***	0,09***	0,08***	0,33***
subj. /(very) poor health	6,90***	4,21***	7,47***	4,79***	6,50***	4,04***
hampered in daily activities		12,57***		16,73***		11,71***
4-10 consultations		1,28		0,79		1,61
>10 consultations		1,71***		1,72		1,49
number of people in household		1,11		1,35*		0,94
living with partner		1,36		1,16		1,30
retired						
Denmark	1,12***	1,09	0,88***	1,04	1,68***	1,46***
France	1,74***	1,71***	2,44***	2,49***	1,28***	1,24**
UK	2,36***	3,03***	1,63***	2,49***	4,00***	4,14***
Netherlands	0,79***	0,79*	1,14	1,26	0,51***	0,46***
USA	0,89**	–	0,79*	–	1,03	–
age	–	–	–	–	–	–
female	1,05	0,96	–	–	–	–
lower educational level	0,80	0,77	1,14	1,09	0,54***	0,53***
subj. (very) good health	1,04	1,23	0,80	0,90	1,31	1,50
subj. /(very) poor health	1,27	1,15	1,02	0,91	1,54	1,41
hampered in daily activities		1,14		1,07		1,15
4-10 consultations		1,37***		1,63		1,06
>10 consultations		1,57***		1,89		1,19
number of people in household		0,52***		0,58***		0,43***
living with partner		2,96***		3,77***		2,55***
labour reserve						
Denmark	0,82**	0,87	0,82	0,95	1,17	1,06
France	0,98	1,19	1,69**	1,53	0,74*	0,89
UK	1,64***	2,23***	1,77*	1,67	2,53***	2,90***
Netherlands	4,04***	5,29***	6,15***	7,41***	3,08***	3,63***
USA	1,59***	–	3,03***	–	1,52**	–
age	–	–	–	–	–	–
female	8,63***	10,78***	–	–	–	–
lower educational level	0,68*	0,66*	1,50	1,61	0,45**	0,42**
subj. (very) good health	1,36	1,56	0,89	0,90	1,67	2,05
subj. /(very) poor health	1,07	0,90	1,04	0,95	1,15	0,93
hampered in daily activities		1,65*		1,26		1,79**
4-10 consultations		0,98		1,40		0,79
>10 consultations		1,01		1,48		0,80
number of people in household		1,26		1,44**		1,07
living with partner		3,01***		0,75		3,66***
Pseudo-R^2	0,2038	0,2614	0,1774	0,2484	0,1652	0,2314
n	1617	1527	690	652	927	875

*ref. category for dependent variable: unemployed / significance: *** p < 0,01 ** p < 0,05 * p <= 0,1*

source: ESS (round 2) & CID, authors' calculations (estimates with robust standard errors)

ref. category for controls: Germany, male, higher educational level subj. health: fair, not hampered in daily activities, 0-3 consultations, living alone

Table A3: Relative Risk Ratios of multinomial regressions (population with lower educational level)

incapacitated	**gesamt**		**Mann**		**Frau**	
Denmark	1,22**	1,22**	0,96	1,68	1,45***	1,11
France	1,68***	2,11***	2,31***	4,19***	1,61***	1,99***
UK	6,12***	6,95***	6,66***	12,28***	6,26***	7,32***
Netherlands	4,36***	4,79***	3,13***	6,24***	5,43***	5,12***
USA	3,49***	–	5,31***	–	2,83***	–
age	1,06***	1,03***	1,04**	1,02	1,07***	1,05***
female	0,65**	0,69**	–	–	–	–
lower educational level	–	–	–	–	–	–
subj. (very) good health	0,15***	0,31***	0,14***	0,24***	0,16***	0,38**
subj. /(very) poor health	5,78***	3,47***	4,06***	2,38	8,58***	4,55**
hampered in daily activities		7,54***		7,36***		7,20***
4-10 consultations		1,19		1,32		1,20
>10 consultations		1,77***		3,10**		1,57
number of people in household		0,91		1,03		0,86
living with partner		1,47		1,44		1,73
retired						
Denmark	3,70***	3,86***	2,34***	2,73***	3,46***	4,33***
France	0,87	0,81	0,83	0,85	0,87	0,84
UK	1,00	1,05	0,41**	0,45**	1,87***	2,41***
Netherlands	0,23***	0,22***	0,17***	0,15***	0,27***	0,29***
USA	0,43***	–	0,23***	–	0,70*	–
age	1,28***	1,26***	1,26***	1,24***	1,31***	1,30***
female	0,81	0,72	–	–	–	–
lower educational level	–	–	–	–	–	–
subj. (very) good health	0,94	1,19	0,43*	0,90	1,50	1,57
subj. /(very) poor health	1,13	0,90	0,34**	0,22***	2,98	2,21
hampered in daily activities		1,17		2,54*		0,76
4-10 consultations		1,13		0,89		1,45
>10 consultations		1,29		1,54		1,25
number of people in household		0,89		0,59*		1,17
living with partner		1,51**		2,61***		1,26
labour reserve						
Denmark	0,86**	1,05	1,29***	1,68***	0,63***	0,78**
France	0,29***	0,26***	0,22***	0,25***	0,34***	0,33***
UK	0,60***	0,69***	0,42***	0,51***	0,93***	1,35***
Netherlands	1,15	1,32	1,06	1,44	1,45***	1,80***
USA	0,33***	–	0,46***	–	0,40***	–
age	1,01	1,01	0,97	0,96	1,04***	1,04***
female	5,31***	5,12***	–	–	–	–
lower educational level	–	–	–	–	–	–
subj. (very) good health	1,46***	1,64***	1,55*	1,66***	1,71***	1,94***
subj. /(very) poor health	1,40	1,12	1,24	1,11	2,20	1,57
hampered in daily activities		1,32		1,35		1,09
4-10 consultations		0,97		0,99		1,04
>10 consultations		0,93		1,43		1,02
number of people in household		1,32***		1,31**		1,39***
living with partner		2,28***		1,59		3,12***
Pseudo-R^2	0,3757	0,4231	0,4109	0,4670	0,3355	0,3955
n	1284	1146	447	396	837	750

*ref. category for dependent variable: unemployed / significance: *** p < 0,01 ** p < 0,05 * p <= 0,1*

source: ESS (round 2) & CID, authors' calculations (estimates with robust standard errors)

ref. category for controls: Germany, male, higher educational level subj. health: fair, not hampered in daily activities, 0-3 consultations, living alone