

Labor market prospects of older workers - International Conference

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Hiring Subsidies for Older Workers: Complements, not substitutes

Andreas Moczall (IAB)

Abstract:

What happens to regular workers in establishments subsidized with hiring subsidies for older workers (EGZ 50+)? Do subsidized hires take away employment opportunities from unsubsidized workers? Does the subsidy make these older hires better substitutes for workers below the age of 50? By matching on the propensity score of receiving a hiring subsidy for older workers, I model counterfactual employment changes of subsidized establishments using German data from social security records aggregated on the establishment level, observing subsidized establishments for three years. I place a special emphasis on distinguishing effects that occur while the subsidy is paid from those that occur afterwards. Results indicate only a small amount of substitution of regular workers below the age of 50, occurring in establishments with less than ten workers, while the subsidy is paid. This is counteracted by small regular employment gains after subsidization has ended in most sectors except manufacturing. Regular older workers are only replaced after subsidization has ended. I conclude that at least while the subsidy is paid, subsidized older workers are mostly complements to, rather than substitutes for, regular workers below the age of 50, and that the programme therefore has few adverse effects on non-participants.