Non Take-Up of Social Benefits in a Longitudinal Perspective
and the Relevance of Measurement Error

Olaf Groh-Samberg, DIW Berlin, ogrohsamberg@diw.de
Joachim R. Frick, DIW Berlin, TU Berlin, IZA Bonn, jfrick@diw.de

The phenomenon of non take-up of social benefits has attracted increasing attention in economic and social policy research, mainly for three reasons: First, non take-up of social benefits is widespread among developed welfare states, with rates of e.g. more than 60 percent of eligible households not claiming for social assistance in Germany; second, the high rates of non take-up indicate targeting errors of social policy that seem to be far more prevalent than misuse and over-consumption of social benefits; and third, non take-up behaviour still is a puzzle to economic theory, given that individuals are expected to maximise utility by claiming all possible benefits from the welfare state.

Recent literature on non take-up emphasizes the role of measurement error in estimating non take-up. Measurement error may occur in the model simulating eligibility for a given means-tested transfer as well as in the underlying survey information on income, needs and assets. However, any attempt to tackle such measurement error on the basis of cross-sectional survey data, e.g. by means of sensitivity analysis, is limited unless external validation information is available.

The proposed paper aims to extend previous research by tracing eligibility for and take-up of public transfers in a longitudinal perspective. Based on representative micro data from the German Socio-Economic Panel (SOEP) we simulate eligibility for regular social assistance over the period 2000 to 2004 and analyse year-to-year changes in eligibility status as well as take-up behaviour. First, we present descriptive results on transition probabilities, distinguishing between the states of (1) "take-up", and (2) "non take-up", both conditional on simulated eligibility, as well as (3) "not eligible" and (4) "beta error" (i.e. households that report receipt although not being eligible according to our simulation). Using an unbalanced panel over five waves not only allows for the incorporation of new entrants into the panel, but also necessitates an adequate consideration of selective panel attrition. Second, we apply panel regression models (RE, FE) on non take-up behaviour, controlling for otherwise unobserved heterogeneity. This enables us to better investigate the mechanism driving non take-up behaviour and will help to fill the explanatory gap that previous cross sectional analyses left open.