

Abstract for “Working Benefit Recipients Among the Low Paid Workers – Are They Better Off?”

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There is a substantial literature on the determinants of transitions out of low paid work. However, the receipt of social assistance has previously not been considered in studies analyzing low pay transitions, although it may influence the probability of moving up the earnings distribution in the form of labour market measures offered by the job agency but also in a negative way through scaring or potential locked-in effects. This paper uses a large representative panel data set for the years 2007-2011 to investigate the dynamics of low pay in Germany. We find that about 6 per cent of the low paid full- and part-time employees additionally receive social assistance benefits, while the proportion of all full- and part-time employees earning less than two-thirds of hourly wages is around 18 per cent. The results of a dynamic random effects probit model of low pay persistence show that in addition to earlier evidence on the influence of personal characteristics, previous low pay experience and job characteristics, recipients of social assistance have a significantly higher risk to stay low paid.