Research Proposal by Gerd Grözinger

(With regard to the "Twenty years later" project by Kurt Hübner)

Unemployment: the amount of negative externalities and the role of a new labour-time policy to improve the status quo condition

Regional unemployment is very diverse in Germany. Twenty years after reunification, the Eastern German parts still show the highest rates with nearly no overlapping with the Western areas, although one finds here also severely declining industries and many regions with insufficient growth rates.

(1) Whereas the direct impact of unemployment spells on income and future career chances of individual are well-researched farther repercussions are less known, but seem to be of high relevancy. Only in recent times negative externalities as e.g. the impact on the general level of life-satisfaction or on the amount of hate crimes have been analyzed on a regional level. It is the *first* aim of the research project to undertake a literary search for empirical studies about negative externalities of unemployment, with special emphasis on the situation in East Germany.

(2) One externality seems to be especially grave but has yet not found the due interest in social epidemiology or health sociology. It is the statistical relation between the unemployment rate and the level of regional mortality/life expectancy. A *second* part of the research project will analyze the situation in Germany, using multivariate methods, to corrugate for other influences, e.g. GDP/capita or educational levels.

The best regional level for such an analysis seems to be the planning regions, so-called 'Raumordnungsregionen'. All districts and cities in Germany are aggregated into 97 such regions. Each region shows a certain homogeneity in basic features, and is e.g. defined as a 'metropolitan area' or a 'rural area with low density'. There are mostly also data available at a lower level, of the 439 administrative levels ('Kreise' and 'Städte'). A 'Raumordungsregion' comprises of neighboring 'Kreise' and 'Städte', so the data can be easily transferred into each other. However, due to commuter effects having some influence on relevant economic variables the higher aggregated level seems here to be more appropriate.

(3) Since the basic impression is that the relevance of negative externalities is quite impressive, the question arises what can be done to combat unemployment? One policy option has nearly disappeared from the public discussion in Germany, the shortening of labor-time. However, using data on preferences on time and money, the overall outcome is that in general German employees feel overworked and would like to work less even when their wage income is thereby falling. The *third* part of the research project would be to analyze the German-Socio-Economic-Panel (GSOEP) which contains data on over 20.000 persons, in regard to the impact on the East German labor market when employed persons could more choose labor time arrangements according to their preferences. The GSOEP-data can be broken down to the level of 'Raumordnungsregionen', and I have the permission to use the dataset in this regionalized version.