Institut für Arbeitsmarkt- und Berufsforschung
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zur Arbeitsmarkt- und Berufsforschung

Einladung
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Can public employment subsidies render the German construction sector weather proof?

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Both the US and Germany have a pronounced pattern of seasonal winter unemployment. In order to confine inefficient high levels of temporary layoffs, US firms are taxed – albeit incompletely – according to the unemployment insurance benefits claimed by their laid off workers. In contrast, German construction firms are not charged according to their layoff history and should thus have much higher layoff incentives. However, in case of a weather-induced shortfall of work, a firm's workforce is eligible for a partial subsidy to their employment costs. The level of this subsidy was subject to several reforms throughout the 1990s which provide a unique opportunity for examining the empirical link between layoff incentives and layoff rates. Our analysis is based on large individual administrative data merged with information about local weather conditions and the business cycle. We observe economically plausible effects: the higher the subsidy to employment costs, the less layoffs occur and the less weather-dependent is employment.

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