

IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Job and worker turnover in German establishments

Lutz Bellmann, Hans-Dieter Gerner

Richard Upward
University of Nottingham

The German labour market has, thus far, shown remarkable resilience in the face of the current economic crisis. A number of explanations have been suggested. These include the nature of German labour market institutions (such as high firing costs and dismissal protection), labour market policies (such as working time accounts and short time work), but also the fact that it has been relatively skill-intensive exporting plants that have been hit hardest by the downturn. Those skill-intensive plants have greater incentives to “hoard” their workers rather than to lay them off.

In this paper we examine these issues at the microeconomic level by describing the hiring and firing behaviour of a panel of German establishments over the last 17 years. We have three objectives. First, we examine whether the relationship between worker flows (hiring and separations) and job flows (employment growth) in German plants is distinct from those reported in the existing literature from other countries. Second, we ask whether the adjustment behaviour of German establishments changed as they entered the recent crisis. Third, we ask whether differences in behaviour between different types of German establishment sheds light on the potential explanations for the positive employment response to the crisis.

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