

# IAB-DiskAB

Einladung  
17/2009

## Long-term unemployment and the business cycle in Germany: Did the Hartz Reforms tighten the relationship?

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In this paper, we describe the development of stocks and flows of short-term and particularly long-term unemployment in Germany over the business cycle from 1998 to 2009 using administrative data of the Federal Employment Agency. We try to isolate a pure business cycle effect in an empirical matching function. Such approaches based on the theory of matching have been used recently to investigate the impact of labour market reforms on the macroeconomic level. We control for the largest social and labour market reform in Germany, too. As an augmentation to common empirical matching functions, we distinguish between short-term and long-term unemployment in an equation system. Our results show that – beyond fluctuations in the stocks and flows of vacancies and unemployment - the business cycle effect has just a weak positive effect on the matching efficiency which does not significantly differ between short-term and long-term unemployment. The interaction of the cycle and the Hartz Reforms reveals that the relationship for the long-term unemployed had virtually not existed before the Hartz I Reform. Thus, the Hartz Reforms had improved the chances of long-term unemployed to find a job during the past expansion. However, with regard to short-term unemployment, the Hartz Reforms had just a slight positive impact on the influence of the business cycle on matching.

**Mittwoch, 2. Dez. 2009**

**13.00 Uhr**

Sitzungssaal 126a