

New Evidence on the Macroeconomic Effects of Short-time Work

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Abstract

This paper analyzes the interaction of short-time work and the business cycle. First, we model short-time work in a dynamic business cycle model with unemployment calibrated to the German economy. Second, we provide a structural vectorautoregression fitted to German data. The identification issue is addressed by using micro-level data to identify the automatic response of short-time work to business cycle effects. Our preliminary results show that important interactions of short-time work and the business cycle exist. These findings are supported by findings in the vectorautoregression.