

Duration Dependence, Lagged Duration Dependence, and Occurrence Dependence in Individual Employment Histories

Markus Niedergesäss (University of Tuebingen)

Abstract

This paper investigates the form and magnitude of a variety of state dependence effects for prime-aged men in Germany. I differentiate between three labor market states: employment, unemployment, and out of labor force. Results indicate that all forms of state dependence are present in the data in particular, there is strong duration dependence in employment and unemployment. Furthermore, past unemployment experiences are scarring and make future unemployment more likely, while past employment experiences help finding new employment, but do not help in remaining employed. Simulations are conducted to investigate the effects of possible interventions in the labor market.