

What Explains the German Labor Market Miracle in the Great Recession?

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Reasons for lower-than-expected employment cuts

- Lack of hirings before the crisis due to **41%**
 - negative expectations **23%**
- Drop in hours per worker due to
 - short-time work,
 - working-time accounts and **large part**
 - uncompensated hours reductions via opening clauses
- Reduced labor costs due to
 - wage moderation before the crisis and **20%**
 - wage reductions via opening clauses
- Higher labor market efficiency due to Hartz reforms:
 - lower reservation wages and wages
 - less frictional unemployment
 - more temporary agency work

Not mentioned explicitly: shortage of skilled workers and labor hoarding