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Fachbereich VWL / Department of Economics

EconNewsletter

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NOVEMBER 11 – NOVEMBER 15, 2024

NEWSLETTER 2024-22

SEMINAR CALENDAR

Quantitative Economics

[Britta Gehrke, FU Berlin:](#)

Short-time Work and Precautionary Savings

Tuesday November 12

12:15–13:30

R. 0079 (VMP 5)

Microeconomics

[Jean-Michel Benkert, Universität Bern:](#)

TBA

Thursday November 14

17:15–18:45

R. 0079 (VMP 5)

ABSTRACTS

Quantitative Economics

Britta Gehrke, FU Berlin:

Short-time Work and Precautionary Savings

Abstract:

During the Covid-19 crisis, most OECD countries used short-time work (subsidized reductions in working hours) to preserve employment. This paper documents that short-time work affects the behavior of firms (supply) and households (demand). First, using household survey data from Germany, we show that the consumption risk of short-time work is lower than that of unemployment. Second, we construct a New Keynesian model with heterogeneous workers and firms, incomplete asset markets, and labor market frictions. Short-time work reduces workers' precautionary savings and firms' labor costs. However, it is costly in terms of productivity by tying workers to less productive firms. Using a quantitative model analysis, we show that both the demand and the firm channel stabilize the business cycle and dominate the productivity losses.

The next EconNewsletter will be published on Monday, November 18, 2024.

Editorial deadline: Friday, November 15, 2024.

EconNewsletter

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