

# Research Seminar "Quantitative Economics"

Winter Term 2024/2025

[Britta Gehrke](#) (FU Berlin)

Abstract

**Short-time work and precautionary savings** (Britta Gehrke joint work with Thomas Dengler and Leopold Zessner-Spitzenberg)

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.