IWH Research Seminar in Economics

Donnerstag, 22. Juni 2017, 14:15 – 15:45 Uhr, Konferenzsaal im Erdgeschoss

Hartz IV and the Decline of German Unemployment: A Selection Based Evaluation

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(zusammen mit Brigitte Hochmuth und Britta Kohlbrecher, Friedrich-Alexander-Universität Erlangen-Nürnberg; Hermann Gartner, Institut für Arbeitsmarkt- und Berufsforschung [IAB])

This paper proposes a new approach to evaluate the macroeconomic effects of the Hartz IV reform in Germany, which reduced the generosity of long-term unemployment benefits. Economic theory predicts that a larger share of applicants can be expected to obtain a job due to lower (reservation) wages. Hence, firms become less selective in their hiring decision. We quantify this effect based on the IAB Job Vacancy Survey and run counterfactual simulations in a search and matching model with selection, which is calibrated to this dataset. We find that unemployment dropped by about 25 percent due to Hartz IV.

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