# Discussion: Hours Worked Over the Business Cycle in OECD Countries, 1960-2010

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# Contribution

- Construct **quarterly** data for hours worked in OECD countries in the past 50 years.
- Annual hours vs Quarterly hours
- Intensive vs Extensive margin
- Business cycle vs Trend

- Findings:
- The adjustment along the intensive margin is relatively more important in other countries than the U.S.
- The adjustment along the intensive margin becomes more important over time

- Tax?
- Labor market policies
– Firing cost
– Short time work scheme
– Temporary contracts and permanent contracts

- Rogerson(1988) indivisible labor with lottery

$$\text{Utility: } \lambda[u(c) + v(1 - h)] + (1 - \lambda)[u(c) + v(1)]$$

$$\text{Production: } Af(\lambda h)$$

- Flexible labor market

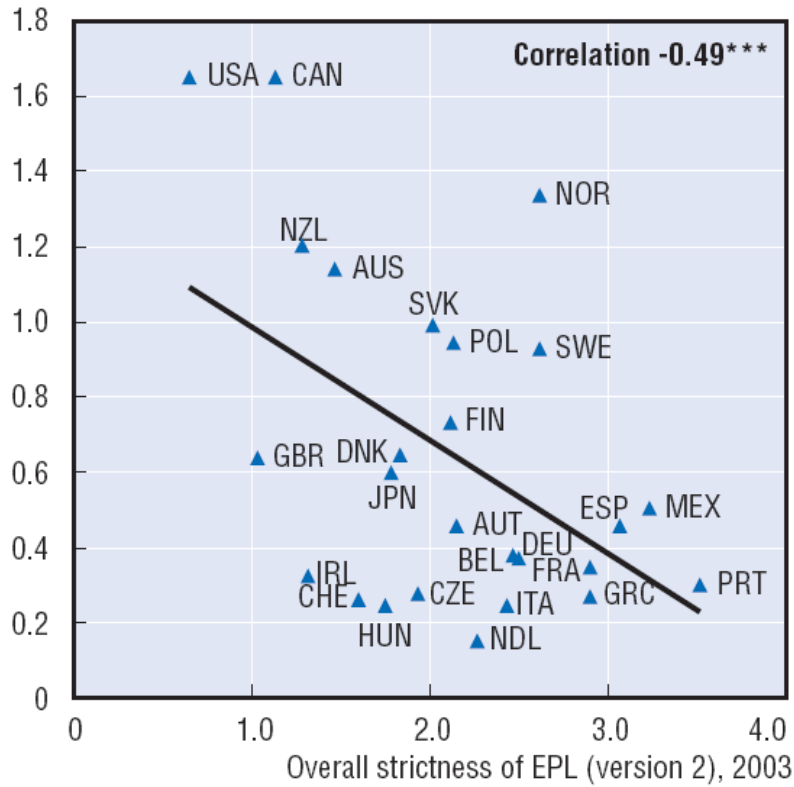$$\frac{u'(c)f'(\lambda h)}{v'(1 - h)} = \frac{1}{A}$$

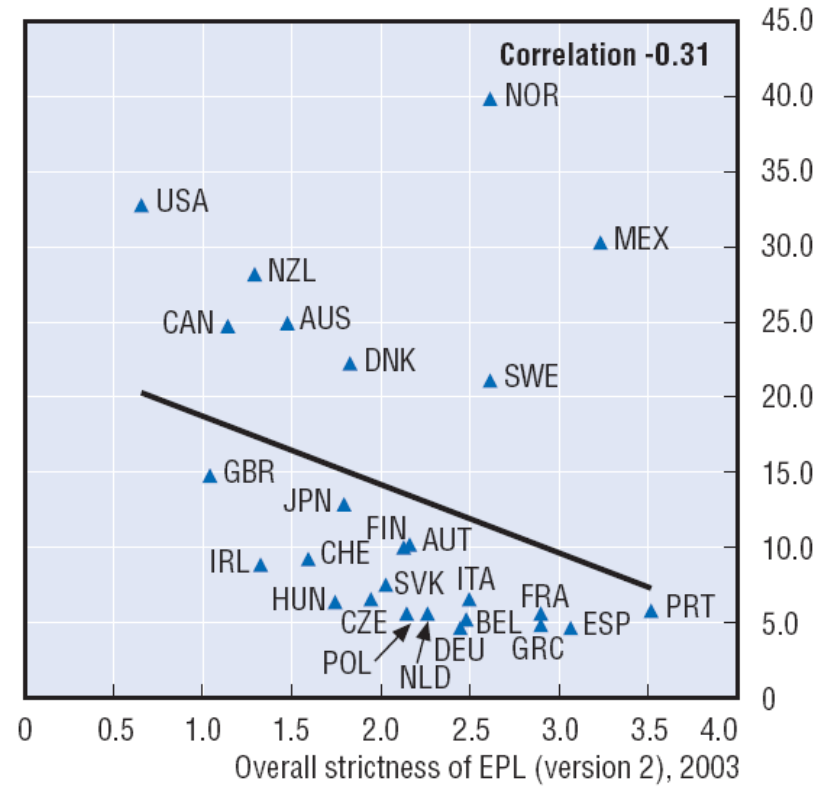$$v(1) - v(1 - h) = v'(1 - h)h$$

- Rigid labor market

$$\frac{u'(c)f'(\lambda h)}{v'(1 - h)} = \frac{1}{A}$$

# Cross-Country Evidence



Flows into unemployment
(% of working-age population less unemployed),ᵃ 2002

Correlation -0.49***

Overall strictness of EPL (version 2), 2003

Flows out of unemployment
(% of total unemployment),ᵃ 2002

Correlation -0.31

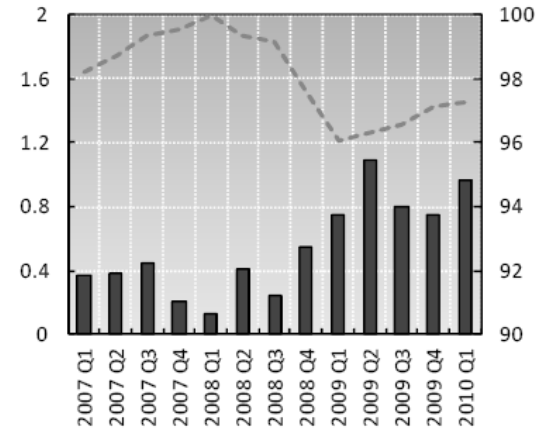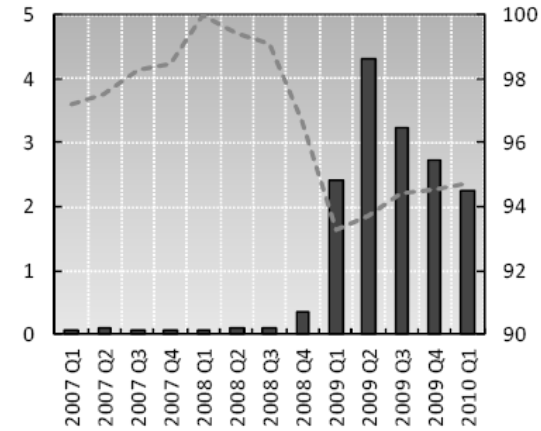Overall strictness of EPL (version 2), 2003

# Over Time?

- Labor market has been deregulated in most of the OECD countries
- Increasing in temporary contracts
- Ease of firing
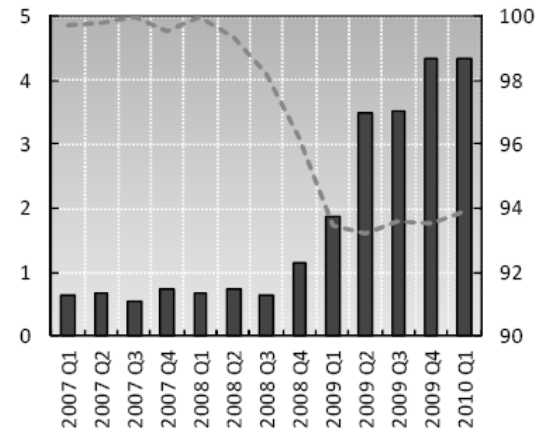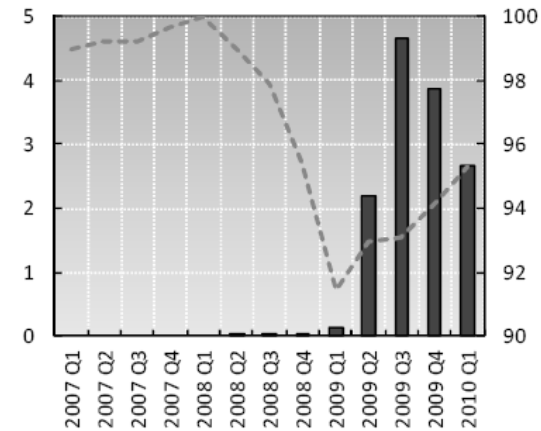
# STW in Great Recession

## Average Quarterly growth in Employment

| % | Countries W/ STW | Countries W/O STW |
|---|---|---|
| Before Crisis | -0.9 | -1.1 |
| During Crisis | -2.5 | -4.6 |
| difference | -1.6 | -3.5 |

## Average Quarterly growth in Hours per Worker

| % | Countries W/ STW | Countries W/O STW |
|---|---|---|
| Before Crisis | -0.2 | 0 |
| During Crisis | -2.4 | -1.2 |
| difference | -2.2 | -1.2 |

- Fraction of temporary employees:

| GEO/TIME | 2007Q1 |
|---|---|
| Germany | 14.4 |
| Spain | 32.0 |
| France | 14.4 |
| Italy | 12.6 |
| United Kingdom | 5.8 |

- Spain has more temporary workers