



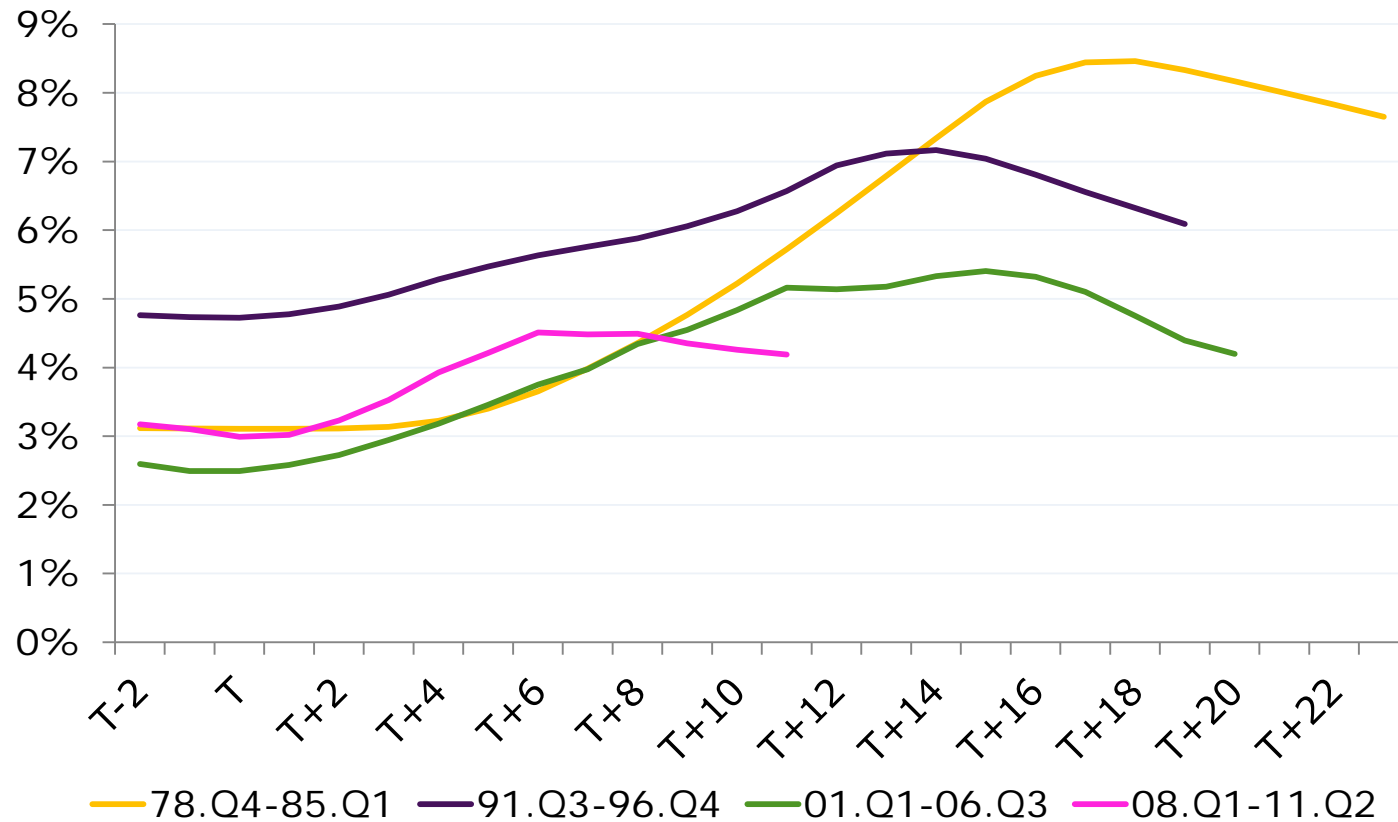
CPB Netherlands Bureau for Economic Policy Analysis

## Exploring the small increase in Dutch unemployment during the Great Recession

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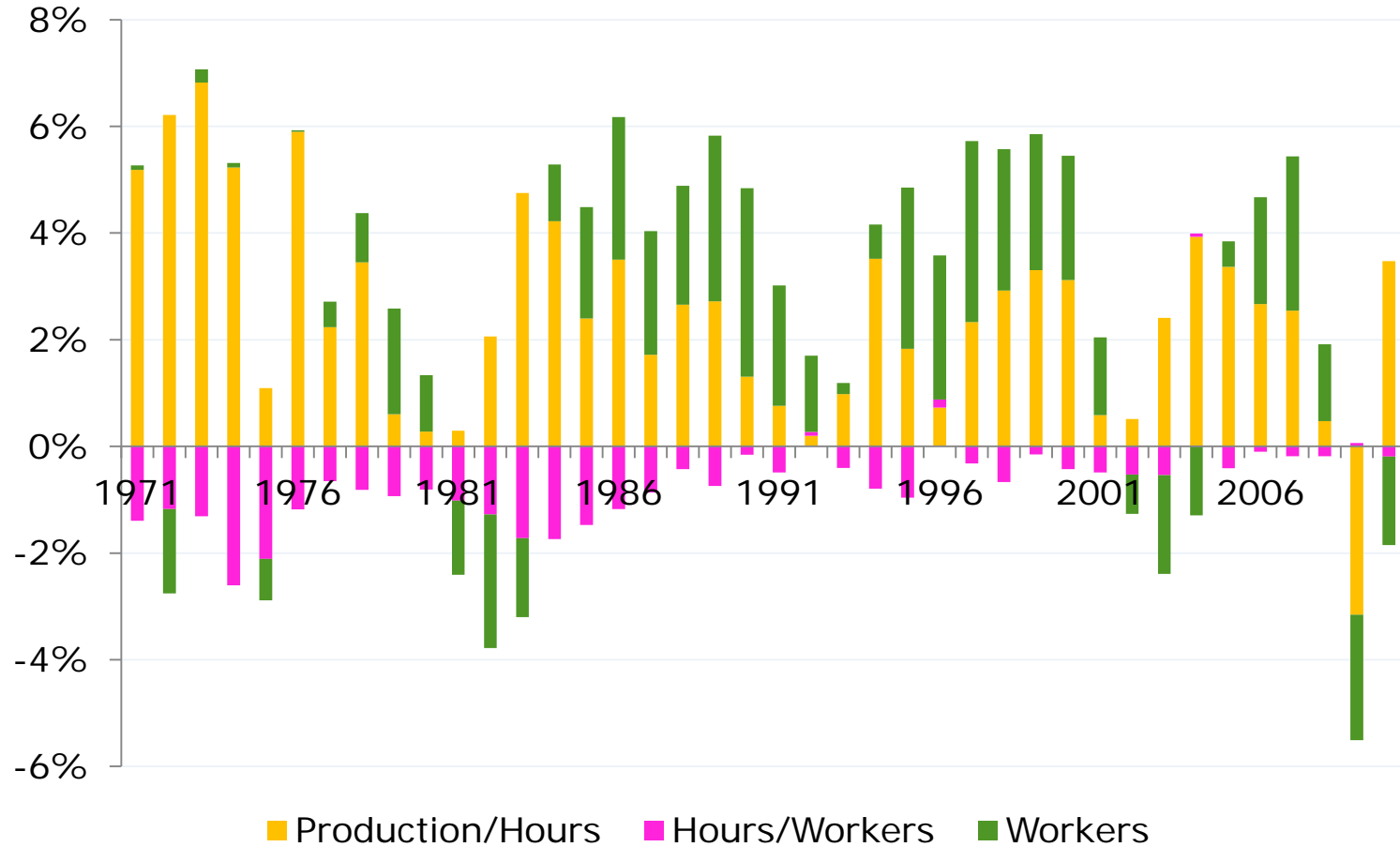


## Puzzle: unemployment in NL





## Production growth: decomposition





## Labour hoarding (LH)

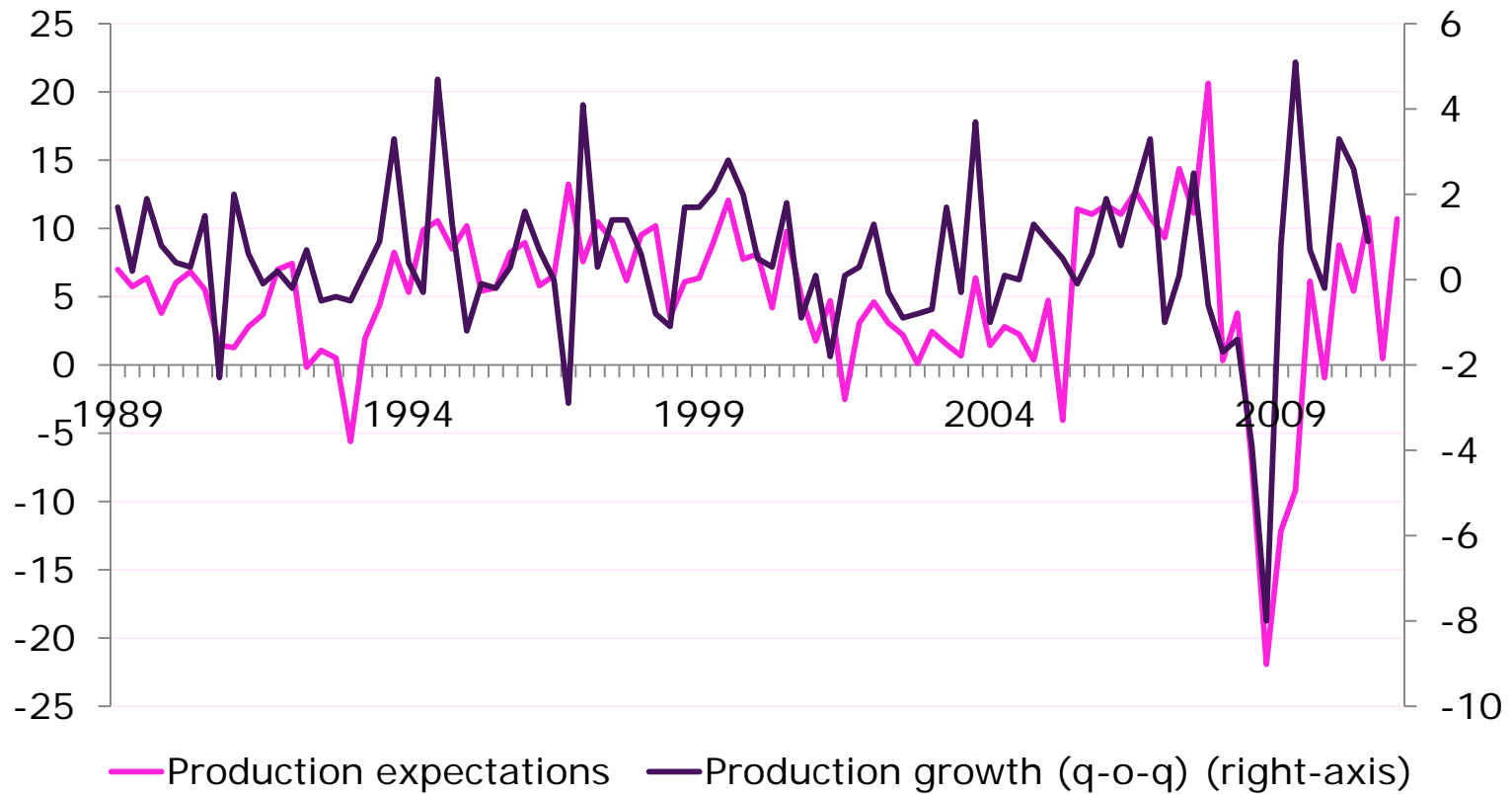
- Option value of retaining employees:
  - employee may be unproductive now, but productive in the future (e.g. Mortenson and Pissarides, 1994)
- Does a company want to LH? Depends on:
  - production expectations (uncertainty)
  - search/hire/fire/training costs
- Are companies financially able to LH?
  - financial buffer
  - profitability of operations



# Do companies want to hoard labour ?

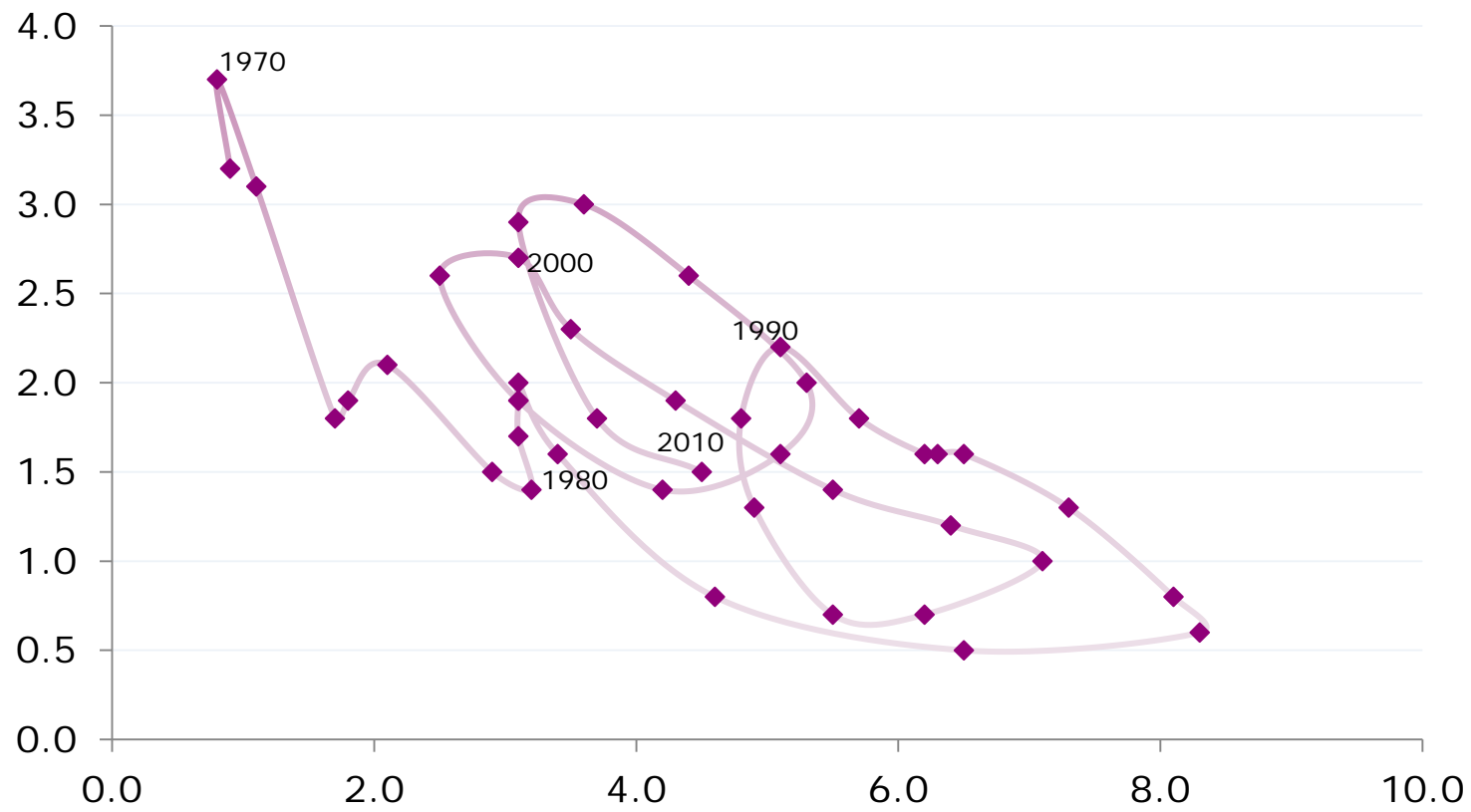


## Production: expectations





# Beveridge curve





## Survey results: reasons for LH

	Ecorys (2010)	SCP (2011)
N	424	869
% companies that LH	2009: 19	2010: 13
<b>Reasons for LH</b>		
Essential employees/retaining good workers	39	39
Fewer external workers suffices	22	
Work in pipeline/probably soon more work available	22	21
Dismissal is expensive/difficult		16

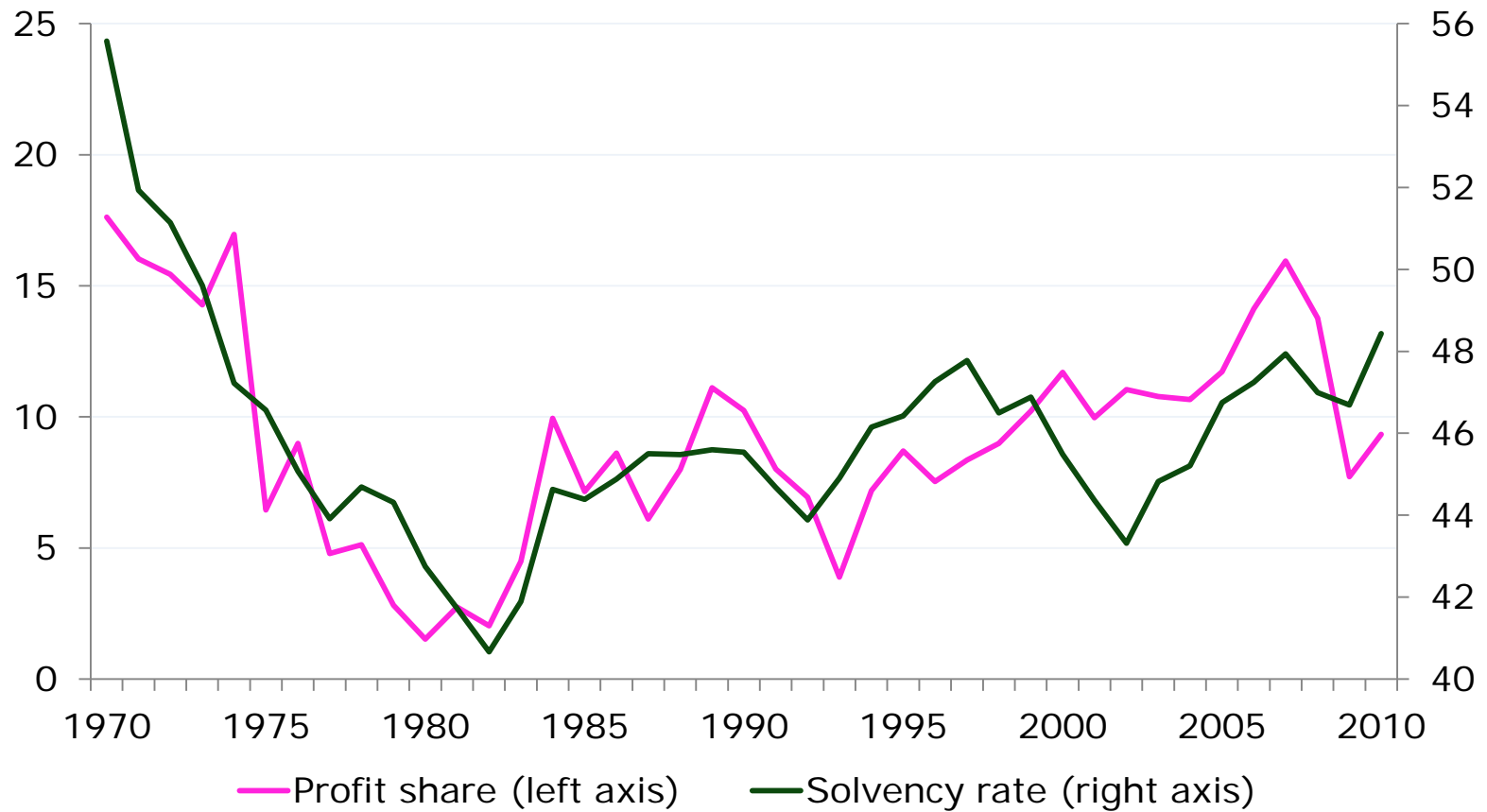




# Are companies financially capable of LH?



## Profit level and solvency rate





## Conclusion

- Why did Dutch unemployment react so moderate?
  - Labour hoarding during crisis
  - Firms may believe personnel to be scarce
  - Firms were in a financially good position
- Explanation for other countries:
  - Denmark: labour hoarding before the crisis (Andersen)
  - Germany: firms restraint before the crisis (Burda/Hunt)
- Role for labour market institutions!?



# Not laying off flexible workers

Fraction of workers that worked in quarter t-1 and was unemployed in t

