

721 451 411

Micro-level Investment and Labour Demand - An Econometric Analysis of German Firms

Inaugural-Dissertation
zur Erlangung des Grades eines Doktors
der Wirtschafts- und Gesellschaftswissenschaften
durch die
Rechts- und Staatswissenschaftliche Fakultät
der Rheinischen Friedrich-Wilhelms-Universität
Bonn

vorgelegt

von

Sher Singh Verick.

February 18, 2005

Contents

Abstract	iii
Acknowledgements	v
1 Introduction	1
2 Non-linearities in the Expansion of Capital Stock	11
2.1 Introduction	12
2.2 Econometric Model and Estimation	14
2.2.1 Controlling for endogenous sample selection in a panel data model	16
2.3 Data and Summary Statistics	20
2.4 Results	24
2.4.1 Random-effects probit model	24
2.4.2 Multiple-regime model	26
2.4.3 Sensitivity checks	30
2.5 Conclusion	33
2.6 Appendix - Derivation of Bias Correction Terms	35
2.7 Appendix - Description of Data	38
2.8 Appendix - Tables	40
3 Dynamics of Labour and Capital Adjustment - a Comparison of Germany and the Netherlands	41

3.1	Introduction	42
3.2	Institutional Background	45
3.3	Econometric Model and Identification	48
3.4	Data and Summary Statistics	52
3.5	Results	61
3.5.1	Investment equation	62
3.5.2	Labour adjustment equation	65
3.5.3	An alternative specification for interrelation	68
3.5.4	Sample selection bias	71
3.6	Conclusion	75
3.7	Appendix - Derivation of Euler Equations	78
4	Threshold Effects of Dismissal Protection Legislation in Germany	79
4.1	Introduction	80
4.2	Small Establishments and the German Institutional Setting	84
4.2.1	Small establishments in Germany	84
4.2.2	Provisions of the PADA	86
4.2.3	PADA Reforms	87
4.3	A Model of Threshold Effects	90
4.3.1	Predicted effects of the PADA reform on labour adjustment	94
4.4	Estimation and Identification	96
4.5	Data and Summary Statistics	99
4.6	Results	105
4.6.1	Probability of employment persistence, growth and downsizing	106
4.6.2	Sensitivity checks	108
4.7	Policy Implications	114
4.8	Conclusion	115
4.9	Appendix - Tables	117

5 Conclusion	119
References	122
Curriculum Vitae	129