The Effects of Training Measures on the Job-Search Process in Germany

Inaugural-Dissertation
zur Erlangung des Doktorgrades
des Fachbereichs Wirtschaftswissenschaften
der Johann Wolfgang Goethe-Universität

Frankfurt am Main

vorgelegt von:

Dipl.-Volksw.

Christopher Zeiss

aus Kronberg

January 2007

Table of Contents

Table of Contents II

List of Tables V

List of Figures VII

Abbreviations VIII

1 Introduction 1

2 Training Measures in Germany 7

3 A Theoretical Analysis of the Impacts of Training Measures 15

3.1 Overview 15

3.2 The Impact of Training Measures on the Search Process 16

3.2.1 The Optimal Stopping Problem 16

3.2.2 The Impact of Training Measures 21

3.3 The Impact of Training Measures on Equilibrium Unemployment . . . 24

3.3.1 Trading Frictions on the Labour Market 24

3.3.2 Job Creation 28

3.3.3 Wage Determination 29

3.3.4 The Aggregate Impacts of Training Measures 32

3.4 Summary 36

4 The Impact of Training Measures on the Individual Unemployment Duration **38**

4.1 Overview 38

4.2 Estimation of the Treatment Effect with the Timing of Events Approach 40

4.2.1 Dynamic Treatment Assignment and the Evaluation Problem . 40

4.2.2 A Bivariate Mixed Proportional Hazards Model 46

4.3 Data and Descriptives 52

4.4 The Empirical Analysis 58

4.4.1 Estimation Results for East Germany 59

4.4.2 Estimation Results for West Germany 68

4.5 Summary 76

5 The Aggregate Impact of Training Measures on the Matching Process 78

5.1 Overview 78

5.2 Specification and Data 80

5.2.1 The Augmented Matching Function 80

5.2.2 Data 84

5.3 Econometric Methodology 86

5.3.1 GMM Estimation of the Linear Dynamic Panel Data Model . . 86

5.3.2 Testing the Specification 94

5.4 Empirical Analysis 96

5.4.1 Estimation Results for East Germany 96

5.4.2 Estimation Results for West Germany 101

5.5 Summary 105

6 Conclusion **106**

A Additional Material for Chapter 4 **111**

B Additional Material for Chapter 5 120

B.1 The Initial Condition for the Set of Instruments 120

B.2 The Instrument Matrix for the Equations in First Differences 123

Bibliography 124