

**Asymmetries in employment and hours adjustments:
Theory and evidence**

Pekka ILMAKUNNAS

Helsinki School of Economics, PO Box 1210, FIN-00101 Helsinki, Finland

pekka.ilmakunnas@hkkk.fi

The paper examines whether labor input adjustment is asymmetric upwards and downwards and whether there are differences between employment and hours adjustment in this respect. A model is formulated to integrate job creation and destruction and the choice between workers and hours per worker. Cyclical asymmetries of gross job and hour flows are examined with the model. Empirical evidence is presented from the Finnish manufacturing using linked employer-employee data. With plant-level panel data, ordered probit models are estimated to determine the regimes of employment change (job creation, no employment change, job destruction) and hours change (hour creation, no change, hour destruction). Based on ordered probit selectivity rule, models are estimated for non-zero values of job creation and destruction, and hour creation and destruction. Asymmetries in the impacts of the explanatory variables on the creation and destruction of jobs and hours are examined.

Key words: employment, working hours, linked employer-employee data

JEL codes: J21, J23