

Abstract

Individual Determinants of Recalls

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In the debate on heterogeneous employment relationships in Germany, a solution of handling fluctuations in labor requirements is mainly ignored: the temporary layoff of employees and their subsequent reemployment by the same employer. These so called recalls can be described as a specific discontinuous employment relationship, which is characterized by an interrupted membership in the same employing organization. The focus of the paper is on analyzing which individual characteristics determine recalls and on explaining the underlying mechanisms. To model the decision process, recalls are assumed to be driven by decisions on exclusion and reintegration both taken by employers and employees. Accordingly, it is essential to explain which kind of people are dismissed and recalled by an employer. Furthermore, employees' rationalities in specific household situations have to be taken into account.

From the employers' perspective, transaction costs theory suggests that recalls will be offered only to temporary dispensable staff. Hence firstly, the employee needs to be more dispensable than others. The first hypothesis to be tested empirically states that a recall is more likely if a part-time or a fixed-term contract indicates greater dispensability than a full-time or permanent one. Secondly, a firm will only recall a person if the employee's working ability and job performance is needed. Following the argument of temporarily dispensability, the second hypothesis assumes an inverted u-shaped effect of human capital and hourly gross wages on the likelihood of recalls. So it is too risky for a firm to dismiss highly efficient employees that are less likely to wait for a potential reemployment due to better job chances. In contrast, employees with a low efficiency level may be dispensable completely. Taking both arguments together, this leads to the assumption that recalls are offered to people with medium efficiency.

From the employees' perspective, employment decisions are strongly influenced by resources and commitments in the household. Whether temporary exclusion from the employing organization is predominantly an advantage or a disadvantage depends on the household context. Thus, the individual's willingness and capability to wait for a potential reemployment is assumed to vary with it. Consequently, a third hypothesis expects that a recall is less likely the more the household depends on the income of the interviewee. In this case, income instabilities are associated with disadvantages and times without wage earnings are strongly restricted, so waiting for a recall might be less possible. On the other hand, a fourth hypothesis states that an individual's limited flexibility

is likely to increase the willingness to wait and therefore the likelihood of recalls. Entering into a new employment relationship, flexibility is needed to rearrange child care or to adjust working and living contexts. If this flexibility is restricted due to younger children or home ownership, a recall could be seen as an advantage. Nevertheless, this beneficial effect depends on reemployment and will not appear if people are laid-off permanently.

We use the German Socio-Economic Panel Study to test the stated hypotheses and run pooled logit regressions on a data set from 1989 to 2009.