



After work shopping? Employment effects of a deregulation of shop opening hours in the German retail sector



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ABSTRACT

This study investigates the impact of a deregulation of shop opening laws on employment in the German retail sector. Exploiting the gradual change in the opening times of shops across states and using data from the German Socio-Economic Panel, difference-in-differences estimates indicate an average increase in the employment probability, driven by a rise in the likelihood of working marginal part-time hours. Workers in small firms are likely to experience a reduction of their propensity to work. For individuals facing high family-related, supply-side constraints, the change in shop opening hours has opposing effects on employment – positive on lower and negative on upper parts of the hours distribution. Overall, the deregulation is estimated to have raised the likelihood of working fewer hours than desired by the workers.

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1. Introduction

Shop opening laws vary considerably across countries and over time. Deregulation records in the U.S. originate from restrictions on Sunday shopping by Blue Laws. In Europe, the liberalization of retail trading hours became effective far later.¹ While German's deregulation of shopping hours began in the 1990s, a substantial removal of restrictions occurred more recently. The introduction of more liberal shop opening hours has economic implications for the retail sector, particularly for retail employment. This deregulation, however, also offers a unique setting in which to investigate the effects of increasing the adaptability of firms' business activities in the product market. Since the reform of retail trading allowed firms to adjust the opening hours of shops, competition among firms may have been altered. The reform may have impacted labor market perspectives of different groups of workers as well. While deregulating product markets generally aims at increasing employment (e.g., Bertrand and Kramarz, 2002; Blanchard and Giavazzi, 2003), the specific employment structure in the retail sector has raised extensive discussions on whether such a reform promotes part-time positions at the expense of full-time jobs.

Changes in labor demand in response to deregulation are key to understand such reforms. The employment effect of the deregulation from a demand perspective is likely to be determined by at least three possible mechanisms (Gradus, 1996): a threshold labor effect due to a higher demand for personnel to cover the additional hours (Nooteboom, 1983); an increase in the sales of shops, which affects retail employment as it determines the sales productivity of labor (Skuterud, 2005); and a rise in the marginal productivity of workers that, under a concave production function, reduces a firm's labor demand

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¹ See, for example, Burda and Weil (2000) for the US, Maher (1995) for the UK, and Dijkgraaf and Gradus (2007) for the Netherlands.

(Thurik, 1984). Since the strength of each determinant varies, the deregulation effect on labor demand and its overall impact on the labor market equilibrium is *a priori* not clear.

While theory establishes a direct link between deregulation and employment, investigating the empirical effect, however, is challenged by data limitations because data on the actual opening hours of firms is scarce. It is therefore difficult to rule out that workers in firms which introduce longer opening hours are different from workers in firms which do not. Disregarding this heterogeneity might blur the estimates of the deregulation impact and hide important dynamics from worker perspective.

In this study, I investigate the effects of deregulation of shop opening times on employment in the German retail sector. Store opening times in Germany were subject to federal law until the shift of legislative authority over retail trading hours to state governments. This paved the way for a substantial state-specific deregulation in 2006 and 2007. The deregulation of shop opening hours has been introduced in a sector in which about half of the pool of workers has a part-time job. While the number of workers in the German retail sector increased by about 11 percent between the years 2005 and 2012, the share of part-time employment raised from 53 percent to 57 percent during the same period (HDE, 2013). The increased role of part-time work, moreover, is due to women accounting for about two-thirds of the workforce (HDE, 2013).

I analyze deregulation effects by exploiting the gradual introduction of shop opening laws across German states. With the overall deregulation procedure spanning from November 2006 to July 2007, 14 of the 16 German states allowed for longer shopping hours. This change considerably widened the scope to expand the business hours of retail firms, while the extent varied across states. Two states adhered to the federal law. Exploiting this temporal and spatial variation in the extension of retail trading hours, I use a difference-in-differences (DiD) design and compare the employment outcomes in deregulated and non-deregulated states. This work uses individual-level data from the German Socio-Economic Panel Study (SOEP) merged with official information about states' retail trading laws to examine the deregulation effect.

There are several empirical studies on deregulation, which mostly focus on the effects of Sunday shopping, and basically agree on a positive employment impact: exploiting data on Canadian provinces, Skuterud (2005) estimates employment gains induced by a deregulation of Sunday shopping. Goos (2004) uses variation in retail laws across U.S. states and over time to employ a DiD setting, showing that Blue Laws restricting opening hours on Sundays had negative effects on employment. Applying a similar estimation approach for all 50 U.S. states, Burda and Weil (2000) find that Blue Laws led to employment losses among full-time and part-time salaried workers – in both the overall retail sector and in more disaggregated divisions of retail.

With respect to Germany, the empirical literature so far has not reached consensus. An evaluation conducted on behalf of two German ministries suggests that the economic effects of a previous extension of German shopping hours passed at the federal level are mixed. Based on weighted survey data for German retail companies, Täger et al. (2000) find that longer opening hours influenced the sales of shops positively, but led to more fierce competition among retailers. For retail workers, Hilf and Jacobsen (1999) discuss that the extra opening hours had virtually no employment effects and worsened the working time arrangements of workers. Bossler and Oberfichtner (2014) examine the 2006–2007 German deregulation process and find a positive impact on part-time employment for a regionally restricted sample of retail firms. Senftleben-König (2014) estimates moderate negative changes in full-time employment at the district level. Differences in the sample of retail firms might explain the ambiguity of the results.

Exploiting the same reform and a similar identification strategy, this study makes three main contributions to the literature. First, I focus on individual workers to quantify the deregulation impact on the employment probability and hours of work, with little empirical evidence in particular for the latter margin. The main difference from my work is that Bossler and Oberfichtner (2014) and Senftleben-König (2014) investigate the aggregate deregulation impact. Firms may employ more workers in response to the reform, or lay off workers due to changes in competition among small and large firms. In my work, I identify changes in the employment status, and movements along the distribution of hours of work to gauge potential differential hours effects.² Second, I offer a more nuanced insight into potential subgroup heterogeneity. I distinguish between workers who worked in a small or large firm before the deregulation to grasp structural changes in the retail sector. This study is (to the best of my knowledge) also the first to examine how individuals facing different degrees of family-related, supply-side constraints react to a change of the opening times of shops. Accounting for the high share of (caring) female workers in the retail sector, I allow the deregulation to affect workers differently depending on the flexibility of their time schedules. Third, investigating changes in the match between desired and actual labor supply I assess whether the employment effects comply with the workers' job preferences.

My findings indicate a significant increase in the employment probability in states that deregulated shop opening hours relative to those that did not by 2.1 percentage points (2.5 percent) on average. Investigating the impact on the hours distribution reveals that the positive employment effect is driven by an upward shift in the propensity of working marginal part-time hours, i.e., between 1 and 16 h per week. The likelihood of performing regular part-time hours, instead, is estimated to decrease, while the probability of having a full-time job of more than 35 h per week is unaffected by the deregulation.³ Yet, the estimates hide relevant subgroup heterogeneity. The law change had a positive impact on the employment probability of individuals who were previously unemployed. Smaller firms are likely to lay off workers, thus

² One of the few studies examining the effect on hours of work is conducted by Skuterud (2005), who finds that deregulation-induced employment responses manifest in changes in the number of positions (extensive margin) rather than adjustments in hours of work for workers with a retail job (intensive margin).

³ These findings complement those of Bossler and Oberfichtner (2014) who, examining the same reform, find a significant increase of part-time jobs, but no effects on full-time employment for food retailing.

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