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# Earnings Exemptions for Unemployed Workers: The Relationship between Marginal Employment, Unemployment Duration and Job Quality

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## Abstract

In some countries including Germany unemployed workers can increase their income by working a few hours per week. The intention is to keep unemployed job seekers attached to the labour market and to increase their job-finding probabilities. To analyze the unemployment dynamics of job seekers with and without marginal employment, we consider an inflow sample into unemployment and estimate multivariate duration models. While we do not find any significant impact on the job finding probability in a model with homogeneous effects, models allowing for time-varying coefficients indicate a decreased job finding probability of marginal employment at the beginning of the unemployment spell and an increased job finding probability for the long-term unemployed. Our results suggest that job seekers with marginal employment find more stable post-unemployment jobs, and we find some evidence that the relationship between marginal employment and wages and employment stability varies with respect to skill levels, sector and labor market tightness.

**Keywords:** marginal employment, mini-job, unemployment duration, job search, employment stability, multivariate duration models

**JEL:** J64, C41, C33

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