This paper re-visits effects of fiscal expansion on employment and unemployment by focusing on both hiring and firing margins. We develop a dynamic stochastic general equilibrium model with labor search frictions in which job separation is endogenously determined. We study effects of fiscal stimuli in the form of government spending and hiring subsidies. The prediction of our model is in contrast with earlier studies that assume exogenous job separation. First, our model generates a larger size of the impact of a government spending shock on labor market variables than the model without endogenous separation. Second, while an increase in hiring subsidies increases employment and reduces unemployment in the model without endogenous separation, it reduces employment and increases unemployment in our model.