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Titolo: ***Employment protection legislation and mismatch: evidence from a reform*** di F. Berton (Università di Torino), F. Devicienti (Università di Torino) e S. Grubanov-Boskovic (Joint Research Center of the European Commission)

Tema specifico: C (Politiche per la Produttività e le Retribuzioni)

Sommario: Liberalization of temporary contracts has been a hallmark of labor market reforms during the last decades. More recently, factors like the sovereign debt crisis pushed the most indebted countries – Italy and Spain being the most prominent examples – to unprecedented reductions of employment protection legislation (EPL) also on open-ended contracts. These policies are usually justified under the assumption that EPL harms the allocation of workers on the jobs where they are most productive. How EPL affects the quality of job matches is nonetheless a surprisingly underexplored issue. This is due to a number of reasons. (i) The “reduced-form model” of EPL reforms, i.e. the relationship between employment protection and employment levels, has always been of primary policy relevance. (ii) No consensus exists on how the quality of job matches should be measured. (iii) Whatever the measure, the quality of job matches is a naturally micro issue, what poses non-negligible issues of data availability that only recently have been solved. (iv) The relationship between workers turnover and job match quality is complex and subject to reverse causality. In this paper, we mostly contribute to this underdeveloped debate by solving problem under (iv). We do this exactly by exploiting one of the reforms mentioned above, and namely the so-called “Fornero Law”, introduced in Italy in 2012 in the background of austerity reforms. The design of the reform, indeed, allows us to identify the causal impact of EPL on job match quality by applying a conditional difference-in-differences approach to Italian LFS data. Results show that good matches have increased, and that – consistently with the idea that turnover takes a while to improve the allocation of workers on jobs – most of the effect took place during the second year after the introduction of the reform. This result is then discussed in two perspectives. First, we need to prove that the trigger of the mechanism was actually workers turnover; using RIL data, we find evidence that the Fornero Law has increased workers’ reallocation in treated firms, in particular by enhancing the number of involuntary separations, as expected. Second, using firm-level balance-sheet information, we also find that the reform under scrutiny was also followed by an increase in productivity, albeit small in magnitude. While the results are consistent with the economic theory that informed deregulation, we highlight caveats and limitations. Two are of primary relevance. First, our measure of job-match quality is partial and limited to education-related aspects; job-match quality depends on many other dimensions that might have been differently affected by the reform. Second, the impact we detect is limited to skill allocation, while it is well-known that EPL also affects –in a likely countervailing way – skill formation.

Stato della ricerca: articolo pronto per la sottomissione a una rivista