

# Do EPL reduction and hiring subsidies promote standard employment for young workers?

## A Counterfactual Evaluation of 2015 Italian Labor Market Policies

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# 1 | 3 – Labour Market Policies in Italy in 2015

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- **Policies**

1. **New Open Ended Contract (OEC) → Graded security (FC)**

- Abolishes reinstatement clause for unjust dismissals → severance payment, proportional to tenure
- Applies to firms w/ more than 15 employees
- Starting 07 Mar 2015

Explicit goal: reduction of uncertainty of FC → from trials to algorithmic rule of compensation

2. **Hiring Subsidies (HS)**

- Applies to conversion to OEC and new OEC
- Time window: 01 Jan 2015 – 31 Dec 2015
- Total rebate of social security contributions for 3 years (up to a ceiling of €8,060/y).
- Eligibility by previous experience (no OEC for 6 months, including apprenticeship)

Explicit goal: increase the diffusion of the new OEC. Total cost: : €16 bln

- **Literature**

- **Centra & Gualtieri (2018)** 50% of OEC hires in 2015-2016 can be attributed to HS and FC.
- **Sestito & Viviano (2018)** HS and FC increase new OEC. HS effects are larger. FC generates new hires.
- **Ardito *et al.* (2019)** Small firms substitute TC with OEC. No gender effects. Larger effects for young workers.

- **Our contribution**

- Refinement of the identification strategy of short-term effects (conversions to OEC) → only young workers.
- Further exploration of gender dimension.

## 2 | 3 – Identification, sample selection and specification

- **Identification:**

	<b>Data</b>	<b>Estimates</b>
▪ HS: Eligible workers – w/out OEC in previous 6 m. Monthly.	→ COB	→ ITT
▪ FC: Target firms (size ≥ 15) w/ threshold at 17. Yearly, lagged.	→ ASIA Imprese 2015 + PIM	→ ATT
- **Sample selection**
  - Geographical area: Piedmont region
  - Age: [15-35]
  - Include workers with at least 1 Fixed-term contract or Apprenticeship in 01 Jul 2012 – 31 Dec 2014
  - Time window for estimates: 01 Jan 2013 – 30 Jun 2015
- **Individual probability of conversion to OEC** - Linear probability model, clustered st.errors at individual level

$$\pi_{wm} = \beta I_{(firm\ size \geq 17)}^{FC}(y, m \geq 2015, 03) + \delta I_{(eligible=1)}^{HS}(y, m \geq 2015, 01) + \vartheta I_{(firm\ size \geq )}^{FC}(y, m \geq 20 , 03) * I_{(eligible= )}^{HS}(y, m \geq 201 , 01) + \underbrace{+ \gamma_{worker} + \gamma_{month} + \gamma_{firm\ size}}_{FE} + \varepsilon_{wm}$$

## 3 | 3 – Preliminary results and future research

### • Preliminary Results

	Full sample (1)	Male (2)	Female (3)
<b>FC: <math>\beta</math></b>	-0.004** [-0.007,-0.001]	-0.003 [-0.007,0.002]	-0.006** [-0.011,-0.000]
<b>HS: <math>\delta</math></b>	0.019*** [0.016,0.023]	0.023*** [0.018,0.028]	0.015*** [0.010,0.020]
<b>FC*HS:<math>\theta</math></b>	0.005* [-0.000,0.010]	0.003 [-0.004,0.010]	0.007* [0.000,0.015]
<b>Adj.R2</b>	0.12	0.12	0.12
<b>N</b>	392,069	213,678	178,391

### Interpretation:

- HS drives the increase in conversions – stronger for male (2.4pp)
- FC reduction reduces conversions – look at new hires?
- Substitution of workers because of standardised tasks? See occupations?

### • Future work

- Extension to Italy: homogenous policy over idiosyncratic local labour market – heterogeneity?
- Long-term effects: what happens when the HS expires?
- Announcement effect: which employment policies do firm enact to maintain the benefit of HS?
- Social Security Data to improve ITT to ATT for HS – data are yet to be released.

Iceland  
Liechtenstein Norway  
Norway grants grants



Youth employment  
partnerSHIP

# Thank you!

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## References

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