

ANALYSYS OF EMPLOYMENT PROTECTION LEGISLATION: A MODEL WITH ENDOGENOUS LABOUR PRODUCTIVITY

DOMENICO LISI

University of Catania, Italy

Email: domenico.lisi@unict.it

Abstract

This paper analyses the effects of different labour market regimes on the workers choice on effort, emphasizing the role of the Employment Protection Legislation. The different EPL are modelled through an easy theoretical pattern, characterized by endogenous labour productivity. In particular, it is analysed how the labour productivity is influenced by the incentives that the different EPL give workers. The main results highlight that the recent labour market reforms produce only a positive temporary effect on the unemployment level, as confirmed by the empirical evidence. Finally, this paper analyses a new contractual regime in order to see if it could offer a better solution in term of structural employment respect to the standard regimes.

Keywords: Employment Protection Legislation, Effort, Labour Productivity, Contractual Benchmark.

JEL Classification codes: J33, J50, L59.