

Faculti Summary

<https://faculti.net/how-reducing-employment-protection-affects-job-creation-and-job-destruction-summary/>

The video discusses a study that examines how changes in employment protection legislation affect job creation and destruction in Italy. Prior to 2012, smaller firms (15 or fewer workers) had less stringent employment protections compared to larger firms. After 2012, all firms gained the ability to fire workers for economic reasons, impacting firm behavior. The study found that larger firms increased job destruction, while those exactly at the 15-worker cutoff did not alter job creation, contrary to the policy's intent to promote hiring. The findings indicated that policy uncertainty, particularly regarding potential future changes to employment protection, leads firms to be cautious in their hiring and firing decisions. This video suggests that policy uncertainty should be considered in future labor market research.