

Institutional determinants of worker flows. A cross-country/cross-industry approach

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Abstract

There is little cross-country comparative evidence on the way labour market institutions shape gross job and worker flows, by and large because comparable data for many countries are scarce. By using a unique harmonised dataset on hirings and separations at the industry-level for a large majority of OECD countries, the paper analyses the role of employment protection legislation (EPL) in shaping cross-country differences in gross worker flows. In order to identify the effect of policies and institutions the paper adopts a industry-level difference-in-difference approach based on the fact that the impact of EPL is greater in industries where the policy is more likely to constrain firm behaviour, e.g. where higher flexibility is needed by the production process. The estimations show that cross-country differences in job protection for open-ended contracts can explain a large share of cross-country variation in gross worker flows. However, the effect is essentially limited to job-to-job flows.