

# THE EFFECT OF EMPLOYMENT PROTECTION LEGISLATION ON FIRM PARTICIPATION AND POSITIONING WITHIN GLOBAL VALUE CHAINS

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Abstract ID: 244

Inviato: 12/04/2023

Evento: XXI Workshop Annuale SIEPI

Argomento: 7. Internazionalizzazione, competitività e catene globali del valore

Parole chiave: EPL, difference-in-discontinuities, global value chains

*In this study, we contribute to the existing economic literature by examining the impact of employment protection legislation (EPL) on firms' participation and positioning in global value chains (GVCs). We focus on the 2012 Labor Market Reform, known as the "Fornero Law", which reduced firing costs for firms with more than 15 employees in Italy. Using a comprehensive survey of Italian firms and employing a combination of difference-in-differences and regression discontinuity design, we find a positive effect of the reduction in EPL on firms' participation in GVCs. Specifically, we observe an increased propensity of firms to import intermediate inputs and services and to export industrial goods. However, we do not find any significant effect on firms' export of intermediate and final goods. Our results are robust to various robustness checks, further supporting our findings.*