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HOW DOES EMPLOYMENT PROTECTION LEGISLATION AFFECT EMPLOYMENT?

Abstract:

The Second World War came with unprecedented changes in people´s lives. Millions of people were dead, homeless and unemployed in countries with economies devastated by the war. With much of the Europe reduced to ruins, a vision of a social model common to the European Union emerged from the ashes. The second half of the twentieth century was marked by a vision of a society based on social justice and solidarity. However, the implementation of a social model in the European Union that fulfills these requirements it is still far way of being a reality. In European countries there are evidence differences in welfare regimes, namely the quality of social rights, social stratification, and the relationship between state, market, and family. The literature on social policy classifies European countries into four clusters of Scandinavian universalistic, Continental Corporatism, Anglo-Saxon liberal and Mediterranean welfare regimes. Evidence suggest that the main difference relies between Scandinavian and Mediterranean countries, namely in what it relates to their labor market features.

This paper investigates how tougher employment protection legislation affects employment rate in Scandinavian and Mediterranean countries (during the period 2000 - 2017). To this end, we follow other researchers and we choose the variables that are the most common in the literature, namely trade union density, net replacement rate, active labor market policies, collective bargaining rate, technology investment and GDP growth. We find that Scandinavian and Mediterranean countries have very different characteristics in what it relates to their labor market, namely, in what it relates to the rules of employment protection.

Keywords:

Welfare regime, Employment, Employment protection legislation

JEL Classification: J23, E24, J50