

“Employment protection and fertility: evidence from the 1990 Italian reform”, by E. Prifti and D. Vuri (University of Rome “Tor Vergata”)

The aim of this paper is to investigate the short-term effects of Employment Protection Legislation (EPL) on fertility decisions of Italian working women using administrative data. We exploit a quasi-experimental setup to study the main hypothesis that increased EPL reduces future job insecurity feelings and positively affects a female worker's proneness to take childbearing decisions. The 1990 (Law 108) reform provides us a natural research experimental design in that it increased unjust dismissal costs for workers employed in small firms, while leaving dismissal costs unchanged for bigger businesses. We exploit the differential increase in the costs of unfair dismissal in firms with less than 15 employees relative to firms with more than 15 employees to study the impact of employment protection on fertility.

We use linear and semi-parametric difference in difference (DID) models to control for possible sorting effects related to time-invariant unobservables and instrumental variable model (IV-DID) to account for sorting effects related to time-varying unobservables.

We find that reduced economic insecurity following a strengthening of the EPL regime positively affects the propensity to childbearing for Italian working women. Disaggregating the effect according to individual observed characteristics we find that the reform benefited to a significantly greater extent the childbearing propensity of low-earnings women.