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Titolo: Firm-level Effects of Delayed Justice

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Using a quasi-experimental setting, we test the effect of court delay on firms' productivity and hiring and firing decisions. Exogenous variation of court delay is offered by the random allocation of judges to trials involving firms in a large Italian court. Judges may be slow or fast, and therefore firms experience randomly assigned shorter or longer trials. We find that longer trial reduces firms' value-added. Moreover, firms involved in longer trials hire and fire fewer workers. According to theory, this suboptimal hiring and firing behavior can lead to lower output. These results are driven by small firms and by firing litigations for firms covered by additional employment protection legislation. Due to Italian labor laws, long trials are particularly costly for this group of firms.