

Abstract.

Owing to the high diffusion of fixed-term contracts, some countries have recently introduced reforms aimed at removing labour market duality and increasing job security. In this paper, we assess the effect on hirings and separations of one of such reforms, introduced in Italy in 2012, where a reduction of the level of employment protection legislation (EPL) for permanent workers was coupled with the introduction of more stringent criteria for the use of fixed-term contracts. Using a difference – in – difference identification strategy, we find that the reform induced a reduction in hirings and an increase in layoffs, mainly for low-skilled permanent workers.