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*Titolo: The financial channel of labor market rigidities*

*In this project we aim to study how firms use the composition of their payrolls as a smoothing device of profitability shocks. In particular we want to test whether firms actively choose the types of contracts, permanent or temporary, to hedge themselves against liquidity shortfalls resulting from unexpected shocks. We also aim to understand how much of firms' ability to actively manage the composition of their workforce along the contract dimension is linked to industry, firm or workers' specific characteristics.*

*In today's initial presentation we present a stylised theoretical framework that links the availability of firms' internal funds to hiring. In addition, we discuss some preliminary evidence and stylised facts that relate firms' workforce composition to firms real outcomes' volatilities.*