What are the Main Obstacles to Hiring after Recessions in Europe?

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Abstract

This paper looks at obstacles to hiring workers on open-ended contracts from a perspective of an EU firm. We find that uncertainty, shortage of skilled labour, high payroll taxes, high wages and the risks associated with changes of labour laws are the main obstacles to hiring. Next, we investigate what firms’/employees’ characteristics, shocks and labour market structures have to say about those obstacles. While negative demand and finance shocks negatively affect firms’ perceptions of obstacles to hiring, labour market structures and firms’/employees’ characteristics are also found significant after controlling for country and sector effects. In particular, our analysis generally shows that a higher percentage of skilled, permanent and experienced workers reduces the probability of a firm stating problems towards hiring, while collective wage bargaining arrangements seem to increase it. However, there are also some specific obstacles to hiring, where this is not the case.

Keywords: labour market, obstacles, hiring, employment, structural reforms