

Can Employment Protection Increase Work Hours Volatility? Evidence from Canadian Provinces

Abstract

In a simple partial equilibrium model, I show how an increase in dynamic costs to labor adjustment generates fluctuations in work time. This prediction is tested using work hours and overtime micro data from the Canadian Labor Force Survey. To pin down the causal effect of employment protection on work hours fluctuation, the provincial advance notice requirement is interacted with each industrial sector's natural layoff rate. The protection against individual dismissal has a strong effect on both variables. Passing from short to long advance notice increases overtime hours up to 40% in some sectors. The protection against mass layoffs has no significant impact.