

CIFREM SEMINARS

Unemployment and Firm Entry and Exit: An Update on a Controversial Relationship

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***Thursday, March 27 2008
3PM - DISA seminar room
Via Inama, 5 - TN***

The present study explores the relationship between unemployment and subsequent firm entry and exit for 103 Italian provinces for the period 1997 to 2003. We estimate two models. In the first model we concentrate on unemployed individuals, starting or closing a business in the province they live in. In the second model we incorporate cross-border effects by taking into account possible start-ups by unemployed individuals from adjacent provinces. Findings show that a positive effect of unemployment on net entry is not due to a positive 'push' effect on entry but rather to a negative effect of unemployment on firm exit. This indicates a lack of dynamics in the Italian labor market.

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