

## **Employment Protection: Its Effects on Different Skill Groups and on the Incentive to become Skilled**

**By Nikolai Stähler, Mainz\***

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Education, employment protection, unemployment, search and matching models.

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### **Summary**

Employment protection affects labour market outcomes and hence the incentive to acquire skills. Using a matching model with two education levels in which workers decide *ex-ante* on their skill formation, it is shown that employment protection can raise the fraction of skilled workers. This will be the case if workers obtain a sufficiently large fraction of the rent created by skill formation. Furthermore, it will be shown that high-skilled workers face shorter unemployment duration and lower dismissal probabilities.

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