**Bank credit policies and firm employment: an empirical analysis of loans maturity and employment contracts duration.**

**Abstract**

The topic of the effects of credit shocks on firms’ activity has gained relevance in the labour economics literature in the last years. In particular, attention has been devoted to the employment outcomes of changes in lending conditions and in presence of credit rationing. The focus of the studies is mainly on effects at the intensive and extensive margin, and on wages. Our study supplements the existing literature by trying to shed light on the relationship between bank lending policies and employment contract duration. In particular we try to assess whether any relationship exists between the choice of banks to provide a higher share of loans at short maturities and the choice of firms to shorten the average duration of temporary contracts. We try to test our hypothesis by means of a database that matches employer, employee, bank lending records and bank credit surveys information for Piedmont region over the years of the crisis. We apply a two-stages least-square strategy to first separate the bank credit supply policies from the effects of credit demand and other conjunctural effects. As a second step, we use the residuals of the first stage to regress the duration of employment contract on estimated credit supply policies and a set of firm characteristics. Our preliminary findings on the causal relationship between the share of short-term loans and contract duration are negative but not significant, therefore showing no relationship is in place. Despite that, our analysis is still partial and is undergoing further examination. An improved theory of the channels that link bank loans to firms’ planning and turnover policies is necessary from a theoretical point of view to overcome the reduced model estimation. In addition, controls for non-bank financing and non-performing loans have been conducted only at the descriptive level and require to be added to the frame. The same holds for the disaggregation of loans at the province level, which has not been integrated in the causal analysis yet. With this contribution we aim at understanding

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