

# Social Security Contributions and the Employment Structure\*

—Microeconomic Analysis Focused on Firms' Characteristics—

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## Abstract

This paper empirically estimates the effect of social security burden on the employment level and structure using firm-level micro data matched with social security insurance data. In particular, we employ the dynamic panel data method to estimate the labor demand function, and evaluate the impact of social security contributions on corporate labor demand. Taking into account of companies characteristics such as firm size, labor union or intensity of competition in the product market, we examine the difference of the impact. Our empirical results indicate that social security contributions do not have statistically-significant impact on employment. However, some companies, which face harsh competitive product and labor market, substitute non-regular workers for regular ones in response to the increase of social security contributions rates.

**Keywords:** public burdens on corporations, shifting and incidence of public burdens

**JEL classification:** H22, H25, H32, H55, J38

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