What explains the rigidity of labor regulations across countries and over time? The roles of structural reforms, growth and inequality

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# What is this paper about?

- Labour market institutions
- EPL: employment protection legislation
- EPL can be source of "LM rigidity"

• <u>Changes</u> in the level of EPL over time and across countries: *Reform and Rigidity* 

### **Contribution of the paper**

- Empirical and policy
- Current EPL literature:
  - mostly confined to the post-1995 period
  - otherwise concentrated on two regions
  - focus on the level of regulation

### **Two Main Objectives**

1. Extend EPL from Botero et al, QJE 2004

# 2. Assess the adequacy and potential use of the resulting index

### **Objective 1**

 Extend Botero, Djankov, La Porta, Lopezde-Silanes and Shleifer QJE 2004 index

• 85 countries in year 1997

• Extend it to many more countries (145)

 extend it <u>backwards</u> in time to at least 1960 where possible (and forward to 2000-4)

### **Objective 2**

Assess this new index (LAMRIG) by

- replicating Botero et al (cross-sectional);
  efficiency, political & legal theories of EPL
- panel: over time (1960-2004) and more countries (100+)
- examining EPL changes instead of levels
- evaluating a more extensive set of potential LMR / LAMRIG determinants
- evaluating effects of LAMRIG on growth and income inequality



Botero et al: find that legal theories are much more important than efficiency and political

Main findings here: legal theories less strong

Some evidence for efficiency theory, little for political, but mostly role of other structural reforms (-TL/+FL)

Evidence for Freeman conjecture: LAMRIG lowers inequality, ambiguous on growth

### **Outline of this talk**

- 1. Introduction and motivation 🔨
- 2. How did we construct LAMRIG?
- 3. What does it look like? LAMRIG varies over time in individual countries of different legal origin (China, India, Jordan, Zambia)
- 4. How good is it? Assessing LAMRIG
- 5. Conclusions

Measuring LAMRIG

# Making of LAMRIG: two pillars, 3 steps, checks and balances

### Botero et al QJE 2004 EPL

### • ILO's NATLEX

### **Botero et al EPL**

Employment law index

- i. Alternative employment contracts
- ii. Cost of increasing hours worked
- iii. Cost of firing workers
- iv. Dismissal procedures

#### Qatar (70)

Romania (655) Russian Federation (586) Rwanda (130)

Saint Kitts and Nevis (57) Saint Lucia (56) Saint Vincent and the Grenadines (67) Samoa (25) San Marino (116) Sao Tome and Principe (39) Saudi Arabia (75) Senegal (388) Serbia (71) Seychelles (222) Sierra Leone (124) Singapore (487) Slovakia (241) Slovenia (447) Solomon Islands (31) Somalia (5) South Africa (812) Spain (1476) Sri Lanka (190) Sudan (65) Suriname (41) Swaziland (125) Sweden (2329) Switzerland (642) Syrian Arab Republic (269) Tajikistan (129) Tanzania, United Republic of (249) Thailand (348) Timor-Leste (25) Togo (143) Tonga (25) Trinidad and Tobago (146) Tunisia (781) Turkey (551) Turkmenistan (34) Tuvalu (12) Uganda (77)

Ukraine (421) United Arab Emirates (116) United Kingdom (2471) United Kingdom (metropolitan only) United States (1582) Uruguay (386) Uzbekistan (111)

Vanuatu (44) Venezuela (Bolivarian Republic of) (233) Viet Nam (379)

# **Procedure (first step)**

• Start with Botero EPL for 1997 (web appendix with information on components)

• From NATLEX: compile labour laws info ("books in 1997"; on 4 EPL components)

• Check how NATLEX maps into EPL

# Procedure (second step) Extend the cross-section

- From NATLEX, compile relevant labour law information (4 components) for 140+ countries
- Code NATLEX into an extended EPL for 1997 (which we call LA M RIG)
- From 80+ to 140+ countries

# Procedure (third step): Extend into panel

- Compile relevant labour laws information (4 components) from NATLEX for 140+ countries since 1948
- Code NATLEX into panel LAMRIG
- Note: in 5 year cells/intervals

(ie 1950-54, 1955-59, 1960-64, 1965-69, 1970-74, 1975-79, 1980-84, 1985-89, 1990-94, 1995-1999, 2000-04)

Checks

Compare this "first vintage" LAMRIG to:

Pre 1995 OECD: Blanchard and Wolfers, Allard LAC: Heckman and Pages

Post 1995 Doing Business Surveys Heritage Foundation

LEXADIN electronic database (on-line)



• Check academic papers (WB reports etc) for single countries with over time indexes

 National level searches for both data and analyses of the labour laws over time (yes, we mean google searching for specific labour laws...)

# What does LAMRIG look like? Some country examples

#### Figure 1. Rigidity of Employment Protection Legislation: New Zealand and Portugal (Botero et al QJE 2004)



#### Figure 2. LAMRIG across New Zealand and Portugal since 1960



#### Figure 3. LAMRIG across Selected LDCs since 1960



#### Figure 4. LAMRIG across BIC since 1960



# **Some Country Patterns**

### Botero et al

- Contrasted New Zealand and Portugal, which despite similar GDPPC had different Legal Origins
- But at beginning of 1970s, Portugal's ELR was not as high
- India: Started Low, gradual increase
- China: Started high but has gradually declined
- Jordan: High but finally fell in late 1990s
- Zambia: Inverted U Pattern Over time

#### Table III.1

| Country        | 1960-4 | 1965-9 | 1970-4 | 1975-9 | 1980-4 | 1985-9 | 1990-4 | 1995-9 | 2000-4 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| China          | 2      | 2      | 2      | 2      | 2      | 1.8    | 1.62   | 1.62   | 1.41   |
| India          |        | 1.1    | 1.1    | 1.15   | 1.2    | 1.3    | 1.3    | 1.3    | 1.53   |
|                |        |        |        |        |        |        |        |        |        |
| Jordan         | 1.7    | 1.7    | 1.7    | 1.7    | 1.7    | 1.7    | 1.7    | 1.46   | 1.52   |
| New<br>Zealand | 0.14   | 0.14   | 0.27   | 0.48   | 0.48   | 0.48   | 0.48   | 0.48   | 0.50   |
| Portugal       | 0.06   | 0.31   | 1.28   | 2.29   | 2.29   | 2.39   | 2.49   | 2.42   | 2.43   |
| Zambia         |        |        | 1.05   | 1.05   | 1.05   | 1.3    | 1.3    | 1.15   | 1.25   |
|                |        |        |        |        |        |        |        |        |        |
| Botswana       |        |        | 0.9    | 0.9    | 1.0    | 1.0    | 1.3    | 1.3    | 1.05   |
|                |        |        |        |        |        |        |        |        |        |
| Ethiopia       |        |        | 1.3    | 1.3    | 1.3    | 1.3    | 1.53   | 1.53   | 1.53   |
|                |        |        |        |        |        |        |        |        |        |
| Philippines    | 1.4    | 1.4    | 1.6    | 1.6    | 1.6    | 1.69   | 1.69   | 1.61   | 1.80   |

Assessing LAMRIG

#### TABLE IV

REGULATION OF LABOR AND LEGAL ORIGIN

Ordinary least squares regressions of the cross section of countries. The dependent variables are (1) the employment laws index and its components (in Panel A), (2) the collective relations laws index and its components (in Panel B), and (3) the social security laws index and its components (in Panel D we repeat regressions for the three aggregate indices for countries classified as "nondemocracies" during the period 1950–1995. Using democracy scores from Jaggers and Marshall [2000], we classify as nondemocracies countries with the 1950–1995 average democracy score below 8. The 21 countries classified as democracies, and left out of the sample in Panel D are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, India, Ireland, Israel, Italy, Jamaica, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, and the United States. Robust standard errors are shown in parentheses. All the variables are described in Table I and the data can be found in http://icg.som.yale.edu/.

| _ | Dependent variables              | Log GNP<br>per capita | Socialist<br>legal origin       | French<br>legal origin                                    | German<br>legal origin          | Scandinavian<br>legal origin                                   | Constant  | N<br>[ <i>R</i> <sup>2</sup> ] |
|---|----------------------------------|-----------------------|---------------------------------|---|---------------------------------|--|---|--------------------------------|
| _ |                                  | Panel A               | : Employment l                  | laws and legal  | origin                          |  |   |                                |
| E | Employment laws index            | -0.0010<br>(0.0116)   | $\frac{0.2943^{a}}{(0.0453)}$   | $\begin{array}{c} 0.2474^{\rm a} \\ (0.0381) \end{array}$ | 0.1553 <sup>b</sup><br>(0.0702) | $\begin{array}{c} 0.3865^{\mathrm{a}} \\ (0.0462) \end{array}$ | $\begin{array}{c} 0.3072^{\rm a} \\ (0.1038) \end{array}$ | 85<br>[0.44]                   |
| À | liternative employment contracts | 0.0123<br>(0.0095)    | 0.1219 <sup>b</sup><br>(0.0536) | $\frac{0.2514^{a}}{(0.0351)}$                             | 0.1490°<br>(0.0824)             | 0.1404°<br>(0.0810)  | $\frac{0.3728^{\circ}}{(0.0840)}$                         | 85<br>[0.31]                   |
| C | lost of increasing hours worked  | 0.0436 (0.0299)       | $\frac{0.5935^{a}}{(0.1012)}$   | 0.3335 <sup>a</sup><br>(0.0901)                           | 0.3515 <sup>c</sup><br>(0.1896) | 0.7746 <sup>a</sup><br>(0.0713)                                | -0.2248<br>(0.2566)                                       | 85<br>[0.34]                   |
| C | ost of firing workers            | -0.0241<br>(0.0172)   | 0.2067 <sup>a</sup><br>(0.0552) | $0.2091^{a}$<br>(0.0599)                                  | 0.0883 (0.1065)                 | 0.2553ª<br>(0.0640)  | $0.5168^{a}$<br>(0.1462)                                  | 85<br>[0.24]                   |
| Γ | Dismissal procedures             | -0.0357°<br>(0.0186)  | 0.2550 <sup>a</sup><br>(0.0840) | 0.1955 <sup>a</sup><br>(0.0679)                           | 0.0327<br>(0.0881)              | 0.3758 <sup>a</sup><br>(0.1029)                                | 0.5641 <sup>a</sup><br>(0.1740)                           | 85<br>[0.21]                   |

Panal R. Collective relations laws and local origin

# Summary of the endless battery of econometric results

We replicate Botero et al for the cross-section and LAMRIG in levels (1995-1999)

LAMRIG in first differences = reform -- but we can not replicate Botero for panel = weak effect of legal

Alternative explanations? weak evidence from *structural* factors (ineq, govt size, nat res), *economic crises* (various measures), *political* (strikes, democ, political/executive constraints)

BUT "other reforms" are promising

#### Labor Market Reform, Inertia, Legal Origins, Per Capita GDP, Trade and Financial Reforms Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]<br>We arises | [2]       | [3]        | [4]          | [5]            | [6]           |
|----------------------------------|------------------|-----------|------------|--------------|----------------|---------------|
| Other Refor                      | ms Open          | C.N.Hsiao | PWT openk  | BMP          | Credit Private | Financial Ref |
|                                  | Uninterrupted    | Trade Lib |            |              | Sector/GDP     | Index         |
| Lagged LAMRIG                    | -0.163***        | -0.163*** | -0.148***  | -0.211***    | -0.194***      | -0.238***     |
|                                  | [0.019]          | [0.019]   | [0.018]    | [0.025]      | [0.027]        | [0.028]       |
| French Legal Origin              | 0.113***         | 0.111***  | 0.0979***  | 0.130***     | 0.130***       | 0.145***      |
|                                  | [0.022]          | [0.021]   | [0.021]    | [0.024]      | [0.031]        | [0.028]       |
| German Legal Origin              | 0.0489           | 0.0556    | 0.0416     | 0.0649       | 0.0312         | 0.104**       |
|                                  | [0.040]          | [0.041]   | [0.032]    | [0.052]      | [0.053]        | [0.050]       |
| Scandinavian Legal Origin        | 0.167***         | 0.163***  | 0.165***   | 0.265***     | 0.232***       | 0.284***      |
|                                  | [0.022]          | [0.022]   | [0.023]    | [0.040]      | [0.048]        | [0.040]       |
| Socialist Legal Origin           | 0.240***         | 0.207***  | 0.155***   | 0.279***     |                | 0.233***      |
|                                  | [0.040]          | [0.046]   | [0.038]    | [0.030]      |                | [0.050]       |
| Log Per Capita GDP               | -0.0213**        | -0.0196** | -0.00396   | -0.0147**    | -0.0137*       | -0.0161**     |
|                                  | [0.0089]         | [0.0086]  | [0.0053]   | [0.0070]     | [0.0080]       | [0.0072]      |
| Lagged Other Reforms             | 0.0827***        | 0.0702**  | 0.00000975 | -0.000003*** | -0.000000120*  | -0.0277       |
|                                  | [0.028]          | [0.027]   | [0.00013]  | [0.0000027]  | [0.00000072]   | [0.034]       |
| Constant                         | 0.336***         | 0.326***  | 0.219***   | 0.371***     | 0.347***       | 0.437***      |
|                                  | [0.066]          | [0.065]   | [0.044]    | [0.062]      | [0.077]        | [0.068]       |
| Observations                     | 588              | 580       | 579        | 514          | 326            | 538           |
| Number of countries              | 114              | 120       | 117        | 108          | 84             | 118           |
| Notes: Robust standard errors in |                  |           |            |              |                |               |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP, Trade and Financial Reforms Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]<br>Wacziarz | [2]       | [3]              | [4]          | [5]            | [6]           |
|----------------------------------|-----------------|-----------|------------------|--------------|----------------|---------------|
| Other Ref                        | forms Open      | C.N.Hsiao | <b>PWT</b> openk | BMP          | Credit Private | Financial Ref |
|                                  | Uninterrupted   | Trade Lib | -                |              | Sector/GDP     | Index         |
| Lagged LAMRIG                    | -0.163***       | -0.163*** | -0.148***        | -0.211***    | -0.194***      | -0.238***     |
|                                  | [0.019]         | [0.019]   | [0.018]          | [0.025]      | [0.027]        | [0.028]       |
| French Legal Origin              | 0.113***        | 0.111***  | 0.0979***        | 0.130***     | 0.130***       | 0.145***      |
|                                  | [0.022]         | [0.021]   | [0.021]          | [0.024]      | [0.031]        | [0.028]       |
| German Legal Origin              | 0.0489          | 0.0556    | 0.0416           | 0.0649       | 0.0312         | 0.104**       |
|                                  | [0.040]         | [0.041]   | [0.032]          | [0.052]      | [0.053]        | [0.050]       |
| Scandinavian Legal Origin        | 0.167***        | 0.163***  | 0.165***         | 0.265***     | 0.232***       | 0.284***      |
|                                  | [0.022]         | [0.022]   | [0.023]          | [0.040]      | [0.048]        | [0.040]       |
| Socialist Legal Origin           | 0.240***        | 0.207***  | 0.155***         | 0.279***     |                | 0.233***      |
|                                  | [0.040]         | [0.046]   | [0.038]          | [0.030]      |                | [0.050]       |
| Log Per Capita GDP               | -0.0213**       | -0.0196** | -0.00396         | -0.0147**    | -0.0137*       | -0.0161**     |
|                                  | [0.0089]        | [0.0086]  | [0.0053]         | [0.0070]     | [0.0080]       | [0.0072]      |
| Lagged Other Reforms             | 0.0827***       | 0.0702**  | 0.00000975       | -0.000003*** | -0.000000120*  | -0.0277       |
|                                  | [0.028]         | [0.027]   | [0.00013]        | [0.0000027]  | [0.00000072]   | [0.034]       |
| Constant                         | 0.336***        | 0.326***  | 0.219***         | 0.371***     | 0.347***       | 0.437***      |
|                                  | [0.066]         | [0.065]   | [0.044]          | [0.062]      | [0.077]        | [0.068]       |
| Observations                     | 588             | 580       | 579              | 514          | 326            | 538           |
| Number of countries              | 114             | 120       | 117              | 108          | 84             | 118           |
| Notes: Robust standard errors in |                 |           |                  |              |                |               |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP, Trade and Financial Reforms Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                               |            | [1]<br>Westiews | [2]       | [3]              | [4]          | [5]            | [6]           |
|-------------------------------|------------|-----------------|-----------|------------------|--------------|----------------|---------------|
| Oth                           | er Reforms | Open            | C.N.Hsiao | <b>PWT</b> openk | BMP          | Credit Private | Financial Ref |
|                               |            | Uninterrupted   | Trade Lib | -                |              | Sector/GDP     | Index         |
| Lagged LAMRIG                 |            | -0.163***       | -0.163*** | -0.148***        | -0.211***    | -0.194***      | -0.238***     |
|                               |            | [0.019]         | [0.019]   | [0.018]          | [0.025]      | [0.027]        | [0.028]       |
| French Legal Origin           |            | 0.113***        | 0.111***  | 0.0979***        | 0.130***     | 0.130***       | 0.145***      |
|                               |            | [0.022]         | [0.021]   | [0.021]          | [0.024]      | [0.031]        | [0.028]       |
| German Legal Origin           |            | 0.0489          | 0.0556    | 0.0416           | 0.0649       | 0.0312         | 0.104**       |
|                               |            | [0.040]         | [0.041]   | [0.032]          | [0.052]      | [0.053]        | [0.050]       |
| Scandinavian Legal Origin     |            | 0.167***        | 0.163***  | 0.165***         | 0.265***     | 0.232***       | 0.284***      |
|                               |            | [0.022]         | [0.022]   | [0.023]          | [0.040]      | [0.048]        | [0.040]       |
| Socialist Legal Origin        |            | 0.240***        | 0.207***  | 0.155***         | 0.279***     |                | 0.233***      |
|                               |            | [0.040]         | [0.046]   | [0.038]          | [0.030]      |                | [0.050]       |
| Log Per Capita GDP            |            | -0.0213**       | -0.0196** | -0.00396         | -0.0147**    | -0.0137*       | -0.0161**     |
|                               |            | [0.0089]        | [0.0086]  | [0.0053]         | [0.0070]     | [0.0080]       | [0.0072]      |
| Lagged Other Reforms          |            | 0.0827***       | 0.0702**  | 0.00000975       | -0.000003*** | -0.000000120*  | -0.0277       |
|                               |            | [0.028]         | [0.027]   | [0.00013]        | [0.00000027] | [0.00000072]   | [0.034]       |
| Constant                      |            | 0.336***        | 0.326***  | 0.219***         | 0.371***     | 0.347***       | 0.437***      |
|                               |            | [0.066]         | [0.065]   | [0.044]          | [0.062]      | [0.077]        | [0.068]       |
| Observations                  |            | 588             | 580       | 579              | 514          | 326            | 538           |
| Number of countries           |            | 114             | 120       | 117              | 108          | 84             | 118           |
| Notes: Robust standard errors | sin        |                 |           |                  |              |                |               |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP, Trade and Financial Reforms Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]           | [2]                    | [3]         | [4]          | [5]            | [6]                  |
|----------------------------------|---------------|------------------------|-------------|--------------|----------------|----------------------|
| Other Performs                   | Wacziarg      | C N Heise              | DWT openie  | PMD          | Cuedit Duinate | <b>Financial Paf</b> |
| Onlei Reiofilis                  | Uninterrunted | C.N.HSIA0<br>Trade Lib | F w I openk | DMF          | Sector/GDP     | Index                |
| Lagged LAMRIG                    | -0 163***     | -0 163***              | -0 148***   | -0.211***    | -0 194***      | -0.238***            |
|                                  | [0.019]       | [0.019]                | [0.018]     | [0.025]      | [0.027]        | [0.028]              |
| French Legal Origin              | 0.113***      | 0.111***               | 0.0979***   | 0.130***     | 0.130***       | 0.145***             |
| 0 0                              | [0.022]       | [0.021]                | [0.021]     | [0.024]      | [0.031]        | [0.028]              |
| German Legal Origin              | 0.0489        | 0.0556                 | 0.0416      | 0.0649       | 0.0312         | 0.104**              |
|                                  | [0.040]       | [0.041]                | [0.032]     | [0.052]      | [0.053]        | [0.050]              |
| Scandinavian Legal Origin        | 0.167***      | 0.163***               | 0.165***    | 0.265***     | 0.232***       | 0.284***             |
|                                  | [0.022]       | [0.022]                | [0.023]     | [0.040]      | [0.048]        | [0.040]              |
| Socialist Legal Origin           | 0.240***      | 0.207***               | 0.155***    | 0.279***     |                | 0.233***             |
|                                  | [0.040]       | [0.046]                | [0.038]     | [0.030]      |                | [0.050]              |
| Log Per Capita GDP               | -0.0213**     | -0.0196**              | -0.00396    | -0.0147**    | -0.0137*       | -0.0161**            |
|                                  | [0.0089]      | [0.0086]               | [0.0053]    | [0.0070]     | [0.0080]       | [0.0072]             |
| Lagged Other Reforms             | 0.0827***     | 0.0702**               | 0.00000975  | -0.000003*** | -0.000000120*  | -0.0277              |
|                                  | [0.028]       | [0.027]                | [0.00013]   | [0.0000027]  | [0.00000072]   | [0.034]              |
| Constant                         | 0.336***      | 0.326***               | 0.219***    | 0.371***     | 0.347***       | 0.437***             |
|                                  | [0.066]       | [0.065]                | [0.044]     | [0.062]      | [0.077]        | [0.068]              |
| Observations                     | 588           | 580                    | 579         | 514          | 326            | 538                  |
| Number of countries              | 114           | 120                    | 117         | 108          | 84             | 118                  |
| Notes: Robust standard errors in |               |                        |             |              |                |                      |

brackets,

### Replicating Botero et al Model with LAMRIG

#### Table V.1 The Extent of Labor Regulation, Legal Origins and Per Capita GDP (Dependent variable: Level of LAMRIG, Labor Market Rigidity)

|                             | [1]<br>Potero et al | [2]<br>Vecation | [3]<br>BealOLS | [4]<br>Pro1080 | [5]<br>Bast1080 | [6]       | [7]<br>Ner OFCD |
|-----------------------------|---------------------|-----------------|----------------|----------------|-----------------|-----------|-----------------|
|                             | Dotero et al.       | Asection        | POOLOLS        | Pre1980        | P05(1980        | ULCD      | Non-OLCD        |
| Log Per Capita GDP          | -0.001              | -0.0716**       | -0.00224       | -0.160***      | -0.0790***      | 0.428***  | -0.0419***      |
|                             | [0.0116]            | [0.028]         | [0.016]        | [0.033]        | [0.018]         | [0.038]   | [0.016]         |
| Socialist Legal Origin      | 0.2943***           | 0.698***        | 0.956***       | 0.839***       | 0.839***        |           | 0.788***        |
|                             | [0.0453]            | [0.11]          | [0.075]        | [0.081]        | [0.081]         |           | [0.078]         |
| French Legal Origin         | 0.2474***           | 0.477***        | 0.621***       | 0.669***       | 0.569***        | 1.109***  | 0.453***        |
|                             | [0.0381]            | [0.066]         | [0.041]        | [0.069]        | [0.041]         | [0.091]   | [0.034]         |
| German Legal Origin         | 0.1553**            | 0.474***        | 0.335***       | 0.192          | 0.535***        | 0.476***  | 0.333***        |
|                             | [0.0702]            | [0.12]          | [0.096]        | [0.16]         | [0.089]         | [0.15]    | [0.096]         |
| Scandinavian Legal Origin   | 0.3865***           | 0.901***        | 0.562***       | 0.503***       | 1.128***        | 1.074***  |                 |
|                             | [0.0462]            | [0.11]          | [0.12]         | [0.16]         | [0.080]         | [0.092]   |                 |
| Constant                    | 0.3072***           | 1.860***        | 1.067***       | 1.983***       | 1.826***        | -3.211*** | 1.566***        |
|                             | [0.1038]            | [0.24]          | [0.13]         | [0.24]         | [0.15]          | [0.34]    | [0.12]          |
| Observations                | 85                  | 142             | 792            | 324            | 468             | 222       | 570             |
| R-squared                   | 0.44                | 0.36            | 0.22           | 0.24           | 0.35            | 0.56      | 0.23            |
| Notes: Robust standard erro | rs in brackets      |                 |                |                |                 |           |                 |

Notes. Robust standard enois in brackets.

|   | [1]           | [2]      | [3]       | [4]        | [5]      |
|---|---------------|----------|-----------|------------|----------|
|   | PoolOLS       | Pre1980  | Post1980  | OECD       | Non-OECD |
| Log Per Capita GDP                      | -0.00214      | 0.00186  | 0.0380*** | -0.0515*** | -0.00813 |
|   | [0.0058]      | [0.0069] | [0.013]   | [0.017]    | [0.0050] |
| Socialist Legal Origin                  | 0.03          | 0.0305   | 0.0305    |            | 0.0518** |
|   | [0.024]       | [0.025]  | [0.025]   |            | [0.024]  |
| French Legal Origin                     | 0.00364       | -0.0169  | 0.0341    | 0.0491     | -0.00478 |
|   | [0.013]       | [0.015]  | [0.022]   | [0.030]    | [0.0088] |
| German Legal Origin                     | -0.0153       | -0.0603  | 0.0133    | 0.039      | -0.0459  |
|   | [0.029]       | [0.043]  | [0.032]   | [0.027]    | [0.033]  |
| Scandinavian Legal Origin               | 0.0980***     | -0.0933* | 0.182***  | 0.0691**   |          |
|   | [0.036]       | [0.049]  | [0.050]   | [0.034]    |          |
| Constant                                | 0.0541        | 0.0167   | -0.223**  | 0.514***   | 0.0815** |
|   | [0.043]       | [0.053]  | [0.090]   | [0.14]     | [0.037]  |
| Observations                            | 721           | 397      | 324       | 220        | 501      |
| Number of countries                     | 133           | 133      | 90        | 23         | 110      |
| Notes: Robust standard errors in        |               |          |           | •          |          |
| brackets,                               |               |          |           |            |          |
| *** denotes significant at 1%, ** at 5% | and * at 10%. |          |           |            |          |

|                           | [1]<br>PoolOLS | [2]<br>Pre1980 | [3]<br>Post1980 | [4]<br>OECD | [5]<br>Non-OECD |
|---------------------------|----------------|----------------|-----------------|-------------|-----------------|
| Log Per Capita GDP        | -0.00214       | 0.00186        | 0.0380***       | -0.0515***  | -0.00813        |
|                           | [0.0058]       | [0.0069]       | [0.013]         | [0.017]     | [0.0050]        |
| Socialist Legal Origin    | 0.03           | 0.0305         | 0.0305          |             | 0.0518**        |
|                           | [0.024]        | [0.025]        | [0.025]         |             | [0.024]         |
| French Legal Origin       | 0.00364        | -0.0169        | 0.0341          | 0.0491      | -0.00478        |
|                           | [0.013]        | [0.015]        | [0.022]         | [0.030]     | [0.0088]        |
| German Legal Origin       | -0.0153        | -0.0603        | 0.0133          | 0.039       | -0.0459         |
|                           | [0.029]        | [0.043]        | [0.032]         | [0.027]     | [0.033]         |
| Scandinavian Legal Origin | 0.0980***      | -0.0933*       | 0.182***        | 0.0691**    |                 |
|                           | [0.036]        | [0.049]        | [0.050]         | [0.034]     |                 |
| Constant                  | 0.0541         | 0.0167         | -0.223**        | 0.514***    | 0.0815**        |
|                           | [0.043]        | [0.053]        | [0.090]         | [0.14]      | [0.037]         |
| Observations              | 721            | 397            | 324             | 220         | 501             |
| Number of countries       | 133            | 133            | 90              | 23          | 110             |

|                           | [1]<br>PoolOLS | [2]<br>Pre1980 | [3]<br>Post1980 | [4]<br>OECD | [5]<br>Non-OECD |
|---------------------------|----------------|----------------|-----------------|-------------|-----------------|
| Log Per Capita GDP        | -0.00214       | 0.00186        | 0.0380***       | -0.0515***  | -0.00813        |
|                           | [0.0058]       | [0.0069]       | [0.013]         | [0.017]     | [0.0050]        |
| Socialist Legal Origin    | 0.03           | 0.0305         | 0.0305          |             | 0.0518**        |
|                           | [0.024]        | [0.025]        | [0.025]         |             | [0.024]         |
| French Legal Origin       | 0.00364        | -0.0169        | 0.0341          | 0.0491      | -0.00478        |
|                           | [0.013]        | [0.015]        | [0.022]         | [0.030]     | [0.0088]        |
| German Legal Origin       | -0.0153        | -0.0603        | 0.0133          | 0.039       | -0.0459         |
|                           | [0.029]        | [0.043]        | [0.032]         | [0.027]     | [0.033]         |
| Scandinavian Legal Origin | 0.0980***      | -0.0933*       | 0.182***        | 0.0691**    |                 |
|                           | [0.036]        | [0.049]        | [0.050]         | [0.034]     |                 |
| Constant                  | 0.0541         | 0.0167         | -0.223**        | 0.514***    | 0.0815**        |
|                           | [0.043]        | [0.053]        | [0.090]         | [0.14]      | [0.037]         |
| Observations              | 721            | 397            | 324             | 220         | 501             |
| Number of countries       | 133            | 133            | 90              | 23          | 110             |

|                           | [1]<br>PoolOLS | [2]<br>Pre1980 | [3]<br>Post1980 | [4]<br>OECD | [5]<br>Non-OECD |
|---------------------------|----------------|----------------|-----------------|-------------|-----------------|
| Log Per Capita GDP        | -0.00214       | 0.00186        | 0.0380***       | -0.0515***  | -0.00813        |
| -                         | [0.0058]       | [0.0069]       | [0.013]         | [0.017]     | [0.0050]        |
| Socialist Legal Origin    | 0.03           | 0.0305         | 0.0305          |             | 0.0518**        |
|                           | [0.024]        | [0.025]        | [0.025]         |             | [0.024]         |
| French Legal Origin       | 0.00364        | -0.0169        | 0.0341          | 0.0491      | -0.00478        |
|                           | [0.013]        | [0.015]        | [0.022]         | [0.030]     | [0.0088]        |
| German Legal Origin       | -0.0153        | -0.0603        | 0.0133          | 0.039       | -0.0459         |
|                           | [0.029]        | [0.043]        | [0.032]         | [0.027]     | [0.033]         |
| Scandinavian Legal Origin | 0.0980***      | -0.0933*       | 0.182***        | 0.0691**    |                 |
|                           | [0.036]        | [0.049]        | [0.050]         | [0.034]     |                 |
| Constant                  | 0.0541         | 0.0167         | -0.223**        | 0.514***    | 0.0815**        |
|                           | [0.043]        | [0.053]        | [0.090]         | [0.14]      | [0.037]         |
| Observations              | 721            | 397            | 324             | 220         | 501             |
| Number of countries       | 133            | 133            | 90              | 23          | 110             |
# Extending Botero et al with other determinants

We focus on four main sets of LAMRIG determinants besides GDPPC and Legal Origins

Structural factors

- Political factors (crises)
- Economic crises (shocks)
- Relationship with other reforms

# Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

 Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

 [1]
 [2]
 [3]
 [4]

 Structural Factor:
 Income Gini
 Govt Share of
 Foreign Aid
 Natural Res

 CDP
 to CDP
 Fxports (%)

| ou worden i doron.               | Income Onn  | Gove share of | I of eight And | 1 atul al 1465 | Agric Share |
|----------------------------------|-------------|---------------|----------------|----------------|-------------|
|                                  |             | GDP           | to GDP         | Exports (%)    | in GDP      |
| Lagged LAMRIG                    | -0.192***   | -0.162***     | -0.146***      | -0.169***      | -0.134***   |
|                                  | [0.053]     | [0.019]       | [0.017]        | [0.019]        | [0.020]     |
| French Legal Origin              | 0.0917**    | 0.103***      | 0.0962***      | 0.104***       | 0.0945***   |
|                                  | [0.043]     | [0.021]       | [0.020]        | [0.020]        | [0.023]     |
| German Legal Origin              | 0.0746      | 0.0383        | 0.0304         | 0.059          | 0.0153      |
|                                  | [0.066]     | [0.039]       | [0.035]        | [0.039]        | [0.032]     |
| Scandinavian Legal Origin        | 0.168**     | 0.173***      | 0.168***       | 0.198***       | 0.171***    |
|                                  | [0.080]     | [0.023]       | [0.022]        | [0.031]        | [0.024]     |
| Socialist Legal Origin           | 0.120**     | 0.169***      | 0.152***       | 0.178***       | 0.210***    |
|                                  | [0.049]     | [0.035]       | [0.041]        | [0.041]        | [0.027]     |
| Log Per Capita GDP               | -0.0331***  | -0.00199      | -0.00464       | -0.00731       | 0.00501     |
|                                  | [0.013]     | [0.0060]      | [0.0060]       | [0.0056]       | [0.014]     |
| Lagged Structural Factor         | -0.00114    | 0.000795      | 0.000442       | 0.000479       | 0.0325      |
|                                  | [0.0017]    | [0.00066]     | [0.00088]      | [0.00031]      | [0.060]     |
| Constant                         | 0.567***    | 0.203***      | 0.220***       | 0.261***       | 0.122       |
|                                  | [0.17]      | [0.053]       | [0.048]        | [0.048]        | [0.12]      |
| Observations                     | 150         | 600           | 539            | 599            | 415         |
| Number of countries              | 101         | 122           | 120            | 125            | 96          |
| Notes: Robust standard errors in |             |               |                |                |             |
| brackets,                        |             |               |                |                |             |
|                                  | / 14 / 100/ |               |                |                |             |

[5]

A gric Share

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and <mark>Structural Factors</mark> Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|  | [1]          | [2]           | [3]         | [4]         | [5]         |
|--|--------------|---------------|-------------|-------------|-------------|
| Structural Factor:                       | Income Gini  | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|  |              | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                            | -0.192***    | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|  | [0.053]      | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                      | 0.0917**     | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|  | [0.043]      | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                      | 0.0746       | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|  | [0.066]      | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin                | 0.168**      | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|  | [0.080]      | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                   | 0.120**      | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|  | [0.049]      | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                       | -0.0331***   | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|  | [0.013]      | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                 | -0.00114     | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|  | [0.0017]     | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                 | 0.567***     | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|  | [0.17]       | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                             | 150          | 600           | 539         | 599         | 415         |
| Number of countries                      | 101          | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in         |              |               |             |             |             |
| brackets,                                |              |               |             |             |             |
| *** denotes significant at 10/ ** at 50/ | and * at 10% |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]           | [2]           | [3]         | [4]         | [5]         |
|---|---------------|---------------|-------------|-------------|-------------|
| Structural Factor:                      | Income Gini   | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|   |               | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                           | -0.192***     | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|   | [0.053]       | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                     | 0.0917**      | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|   | [0.043]       | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                     | 0.0746        | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|   | [0.066]       | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin               | 0.168**       | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|   | [0.080]       | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                  | 0.120**       | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|   | [0.049]       | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                      | -0.0331***    | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|   | [0.013]       | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                | -0.00114      | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|   | [0.0017]      | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                | 0.567***      | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|   | [0.17]        | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                            | 150           | 600           | 539         | 599         | 415         |
| Number of countries                     | 101           | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in        |               |               |             |             |             |
| brackets,                               |               |               |             |             |             |
| *** denotes significant at 1%, ** at 5% | and * at 10%. |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]         | [2]           | [3]         | [4]         | [5]         |
|----------------------------------|-------------|---------------|-------------|-------------|-------------|
| Structural Factor:               | Income Gini | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|                                  |             | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                    | -0.192***   | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|                                  | [0.053]     | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin              | 0.0917**    | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|                                  | [0.043]     | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin              | 0.0746      | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|                                  | [0.066]     | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin        | 0.168**     | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|                                  | [0.080]     | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin           | 0.120**     | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|                                  | [0.049]     | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP               | -0.0331***  | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|                                  | [0.013]     | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor         | -0.00114    | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|                                  | [0.0017]    | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                         | 0.567***    | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|                                  | [0.17]      | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                     | 150         | 600           | 539         | 599         | 415         |
| Number of countries              | 101         | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in |             |               |             |             |             |
| brackets,                        |             |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]             | [2]           | [3]         | [4]         | [5]         |
|---|-----------------|---------------|-------------|-------------|-------------|
| Structural Factor:                      | Income Gini     | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|   |                 | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                           | -0.192***       | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|   | [0.053]         | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                     | 0.0917**        | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|   | [0.043]         | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                     | 0.0746          | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|   | [0.066]         | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin               | 0.168**         | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|   | [0.080]         | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                  | 0.120**         | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|   | [0.049]         | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                      | -0.0331***      | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|   | [0.013]         | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                | -0.00114        | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|   | [0.0017]        | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                | 0.567***        | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|   | [0.17]          | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                            | 150             | 600           | 539         | 599         | 415         |
| Number of countries                     | 101             | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in        |                 |               |             |             |             |
| brackets,                               |                 |               |             |             |             |
| *** denotes significant at 1%, ** at 5% | 6 and * at 10%. |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]          | [2]            | [3]         | [4]<br>Years of | [5]<br>Current |
|---|--------------|----------------|-------------|-----------------|----------------|
| Economic Crises/Shocks:                     | Debt Crises  | High Inflation | Max Fall of | Negative        | Account        |
|   |              | (>30% p.a.)    | GDP         | GDP Growth      | Crises         |
| Lagged LAMRIG                               | -0.181***    | -0.234***      | -0.161***   | -0.156***       | -0.147***      |
|   | [0.031]      | [0.031]        | [0.018]     | [0.018]         | [0.016]        |
| French Legal Origin                         | 0.103***     | 0.133***       | 0.100***    | 0.0978***       | 0.101***       |
|   | [0.027]      | [0.029]        | [0.020]     | [0.020]         | [0.021]        |
| German Legal Origin                         | 0.048        | 0.0924*        | 0.0405      | 0.039           | 0.0254         |
|   | [0.044]      | [0.053]        | [0.037]     | [0.035]         | [0.031]        |
| Scandinavian Legal Origin                   | 0.172***     | 0.274***       | 0.171***    | 0.170***        | 0.166***       |
|   | [0.045]      | [0.043]        | [0.022]     | [0.022]         | [0.033]        |
| Socialist Legal Origin                      | 0.209***     | 0.283***       | 0.183***    | 0.178***        | 0.172***       |
|   | [0.042]      | [0.043]        | [0.040]     | [0.036]         | [0.056]        |
| Log Per Capita GDP                          | -0.0149**    | -0.0154**      | -0.00412    | -0.00454        | -0.00467       |
|   | [0.0066]     | [0.0069]       | [0.0058]    | [0.0056]        | [0.0057]       |
| Lagged Economic Crises                      | -0.00119     | 0.02           | 0.000592    | 0.0104          | 0.0297         |
|   | [0.012]      | [0.023]        | [0.0016]    | [0.011]         | [0.021]        |
| Constant                                    | 0.349***     | 0.408***       | 0.234***    | 0.228***        | 0.215***       |
|   | [0.075]      | [0.068]        | [0.047]     | [0.046]         | [0.047]        |
| Observations                                | 453          | 538            | 606         | 606             | 528            |
| Number of countries                         | 124          | 123            | 125         | 125             | 118            |
| Notes: Robust standard errors in            |              | •              |             |                 |                |
| brackets,                                   |              |                |             |                 |                |
| *** demotes significant at 10/ ** at 50/ as | -1 * -+ 100/ |                |             |                 |                |

<sup>e</sup> denotes significant at 1%, \*\* at 5% and \* at 10%.

# Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           | -         | -              |           | -              |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           | -         | •              |           | •              |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           | -         |                |           | -              |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           |           | •              |           | •              |             |
| brackets                         |           |           |                |           |                |             |

# We also have some evidence on (Richard) Freeman's conjecture

|                               | In<br>(       | icome inequa<br>Gini coefficie                 | lity<br>nt)     | F              | Per capita GL<br>growth rates | )P         |
|-------------------------------|---------------|--|-----------------|----------------|-------------------------------|------------|
|                               | (1)           | (2)  | (3)             | (4)            | (5)                           | (6)        |
| Lag gini                      | 0.693***      | 0.734***                                       | 0.557***        |                |                               |            |
|                               | [0.0652]      | [0.0647]                                       | [0.0783]        |                |                               |            |
| Log per capita GDP            | 0.106         | -6.289   | -6.955          |                |                               |            |
|                               | [0.461]       | [4.992]  | [4.813]         |                |                               |            |
| Log per capita GDP Squared    |               | 0.421  | 0.370           |                |                               |            |
| LANDIG                        | 0 252**       | [0.294]  | [0.287]         | 0 412**        | 0.204                         | 0.165      |
| LAMRIO                        | -2.555**      | -2.900 <sup>1</sup>                            | [1 105]         | -0.415         | 0.204                         | 0.165      |
| Log Human Capital             | [1.079]       | $\begin{bmatrix} 1.279 \end{bmatrix}$<br>0.445 | 4 310*          | [0.165]        | 0 398                         | -0.0270    |
| Log Human cuprai              |               | [2.208]  | [2.359]         |                | [0.388]                       | [0.369]    |
| Government share of GDP       |               | []   | 0.0311          |                | -0.0158                       | -0.0135    |
|                               |               |  | [0.0373]        |                | [0.0117]                      | [0.0116]   |
| Ethnic fractionalization      |               |  | 36.91***        |                | -1.263**                      | -0.887*    |
|                               |               |  | [11.42]         |                | [0.536]                       | [0.533]    |
| Initial per capita GDP        |               |  |                 | -0.390***      | -1.010***                     | -0.872***  |
| Torrectorout                  |               |  |                 | [0.111]        | [0.190]                       | [0.178]    |
| liivestment                   |               |  |                 |                | [0.0862****                   | [0.0639444 |
| Africa dummy                  |               |  |                 |                | [0.0212]                      | -1 410***  |
| 7 threa duminy                |               |  |                 |                |                               | [0 523]    |
| Latin America dummy           |               |  |                 |                |                               | -0.588*    |
| 5                             |               |  |                 |                |                               | [0.357]    |
| Asia dummy                    |               |  |                 |                |                               | 1.469***   |
|                               |               |  |                 |                |                               | [0.393]    |
| Constant                      | 15.31***      | 51.57***                                       | 31.85*          | 4.474***       | 7.142***                      | 7.179***   |
|                               | [5.494]       | [16.54]  | [18.30]         | [0.854]        | [1.205]                       | [1.161]    |
| Observations                  | 560           | 560  | 458             | 791            | 641                           | 641        |
| Number of countries           | 123           | 123  | 85              | 134            | 92                            | 92         |
| Notes: The dependent variable | in columns    | 1-3 is the Gin                                 | 1 coefficient f | or income me   | equality (sour                | ce is the  |
| GDP (source is PWT 6.2) I A   | MPIG is our   | Index of Lab                                   | or Market I o   | o is the grow  | dity I og por                 | capita GDP |
| is from the Penn World Tables | 62 Results    | are reported                                   | for an unbalar  | iced panel be  | tween 1960 a                  | nd 2005    |
| (non-overlapping 5-year avera | ges), *** dei | notes statistica                               | ally significan | t at 1%, ** at | 5% and * at                   | 10%.       |

|                               | Ir<br>(*     | icome inequa<br>Gini coefficie | lity<br>nt)     | F              | Per capita GD<br>growth rates | )P         |
|-------------------------------|--------------|--------------------------------|-----------------|----------------|-------------------------------|------------|
|                               | (1)          | (2)                            | (3)             | (4)            | (5)                           | (6)        |
| Lag gini                      | 0.693***     | 0.734***                       | 0.557***        |                |                               |            |
|                               | [0.0652]     | [0.0647]                       | [0.0783]        |                |                               |            |
| Log per capita GDP            | 0.106        | -6.289                         | -6.955          |                |                               |            |
| Les marite CDD German 1       | [0.461]      | [4.992]                        | [4.813]         |                |                               |            |
| Log per capita GDP Squared    |              | 0.421                          | 0.370           |                |                               |            |
| LAMRIG                        | -2 353**     | -2.966**                       | -3 195***       | -0 413**       | 0 204                         | 0.165      |
|                               | [1.079]      | [1.279]                        | [1.195]         | [0.183]        | [0.172]                       | [0.160]    |
| Log Human Capital             | []           | 0.445                          | 4.310*          | []             | 0.398                         | -0.0270    |
|                               |              | [2.208]                        | [2.359]         |                | [0.388]                       | [0.369]    |
| Government share of GDP       |              |                                | 0.0311          |                | -0.0158                       | -0.0135    |
|                               |              |                                | [0.0373]        |                | [0.0117]                      | [0.0116]   |
| Ethnic fractionalization      |              |                                | 36.91***        |                | -1.263**                      | -0.887*    |
| Initial par conita CDD        |              |                                | [11.42]         | 0 200***       | [0.536]                       | [0.533]    |
| linitial per capita GDP       |              |                                |                 | -0.390****     | -1.010                        | -0.872**** |
| Investment                    |              |                                |                 | [0.111]        | 0.0862***                     | 0.0659***  |
| mvestment                     |              |                                |                 |                | [0.0212]                      | [0.0184]   |
| Africa dummy                  |              |                                |                 |                | []                            | -1.410***  |
| 2                             |              |                                |                 |                |                               | [0.523]    |
| Latin America dummy           |              |                                |                 |                |                               | -0.588*    |
|                               |              |                                |                 |                |                               | [0.357]    |
| Asia dummy                    |              |                                |                 |                |                               | 1.469***   |
|                               |              |                                |                 | a a 🖛 a dadada |                               | [0.393]    |
| Constant                      | 15.31***     | $51.57^{***}$                  | 31.85*          | 4.4/4***       | 7.142***                      | 7.179***   |
| Observations                  | [5.494]      | [16.54]                        | [18.30]         | [0.854]        | [1.205]                       | [1.101]    |
| Number of countries           | 123          | 123                            | 430             | 134            | 92                            | 92         |
| Notes: The dependent variable | in columns   | 125                            | i coefficient f | or income ine  | ouality (sour                 | re is the  |
| UNU/WIDER database) while     | the depende  | ent variable in                | columns 4 to    | 6 is the grow  | th rate of per                | capita     |
| GDP (source is PWT 6.2). LAI  | MRIG is our  | Index of Lab                   | or Market Le    | gislation Rigi | dity. Log per                 | capita GDP |
| is from the Penn World Tables | 6.2. Results | are reported                   | for an unbalar  | nced panel be  | tween 1960 a                  | nd 2005    |

(non-overlapping 5-year averages), \*\*\* denotes statistically significant at 1%, \*\* at 5% and \* at 10%.

|                               | Ir<br>(*     | icome inequa<br>Gini coefficie | lity<br>nt)     | P              | Per capita GDP<br>growth rates |            |  |
|-------------------------------|--------------|--------------------------------|-----------------|----------------|--------------------------------|------------|--|
|                               | (1)          | (2)                            | (3)             | (4)            | (5)                            | (6)        |  |
| Lag gini                      | 0.693***     | 0.734***                       | 0.557***        |                |                                |            |  |
|                               | [0.0652]     | [0.0647]                       | [0.0783]        |                |                                |            |  |
| Log per capita GDP            | 0.106        | -6.289                         | -6.955          |                |                                |            |  |
| Log par appite CDP Severad    | [0.461]      | [4.992]                        | [4.813]         |                |                                |            |  |
| Log per capita ODF Squared    |              | [0.421]                        | [0 287]         |                |                                |            |  |
| LAMRIG                        | -2.353**     | -2.966**                       | -3.195***       | -0.413**       | 0.204                          | 0.165      |  |
|                               | [1.079]      | [1.279]                        | [1.195]         | [0.183]        | [0.172]                        | [0.160]    |  |
| Log Human Capital             |              | 0.445                          | 4.310*          |                | 0.398                          | -0.0270    |  |
|                               |              | [2.208]                        | [2.359]         |                | [0.388]                        | [0.369]    |  |
| Government share of GDP       |              |                                | 0.0311          |                | -0.0158                        | -0.0135    |  |
| Ethnia fractionalization      |              |                                | [0.03/3]        |                | [0.0117]                       | 0.887*     |  |
| Ethine fractionalization      |              |                                | [11 42]         |                | [0 536]                        | [0 533]    |  |
| Initial per capita GDP        |              |                                | [11.42]         | -0.390***      | -1.010***                      | -0.872***  |  |
|                               |              |                                |                 | [0.111]        | [0.190]                        | [0.178]    |  |
| Investment                    |              |                                |                 | L .            | 0.0862***                      | 0.0659***  |  |
|                               |              |                                |                 |                | [0.0212]                       | [0.0184]   |  |
| Africa dummy                  |              |                                |                 |                |                                | -1.410***  |  |
|                               |              |                                |                 |                |                                | [0.523]    |  |
| Latin America dummy           |              |                                |                 |                |                                | -0.588*    |  |
| Asia dummy                    |              |                                |                 |                |                                | [0.557]    |  |
| Asia duminy                   |              |                                |                 |                |                                | [0 393]    |  |
| Constant                      | 15.31***     | 51.57***                       | 31.85*          | 4.474***       | 7.142***                       | 7.179***   |  |
|                               | [5.494]      | [16.54]                        | [18.30]         | [0.854]        | [1.205]                        | [1.161]    |  |
| Observations                  | 560          | 560                            | 458             | 791            | 641                            | 641        |  |
| Number of countries           | 123          | 123                            | 85              | 134            | 92                             | 92         |  |
| Notes: The dependent variable | in columns   | 1-3 is the Gin                 | i coefficient f | or income ine  | equality (sour                 | ce is the  |  |
| UNU/WIDER database), while    | the depende  | ent variable in                | columns 4 to    | 6 is the grow  | th rate of per                 | capita     |  |
| GDP (source is PWT 6.2). LAI  | MRIG is our  | Index of Lab                   | or Market Leg   | gislation Rigi | dity. Log per                  | capita GDP |  |
| is from the Penn World Tables | 6.2. Results | are reported                   | tor an unbalar  | iced panel be  | tween 1960 a                   | nd 2005    |  |

(non-overlapping 5-year averages), \*\*\* denotes statistically significant at 1%, \*\* at 5% and \* at 10%.

# **Summary and Conclusions**

This paper offers a new index of labor market legislation rigidity: panel since 1960

Botero al: efficiency, political & legal theories

Our main findings: legal theories less strong, weak evidence for efficiency theory (per capita GDP), little for political, but mostly...

The role of other structural reforms (-TL/+FL)

LAMRIG lowers Y inequality, ? effect on growth

Thank you very much

# **Botero et al Study Political Theories**

### TABLE V

REGULATION OF LABOR, LEFT POWER, AND POLITICAL CONSTRAINTS

Ordinary least squares regressions of the cross section of countries. The dependent variables are (1) the employment laws index, (2) the collective relations laws index, and (3) the social security laws index. Robust standard errors are shown in parentheses. All the variables are described in Table I, and the data can be found in http://iicg.som.yale.edu/.

|   |           | Chief executive and largest<br>party in congress have left or<br>center political orientation |                       | Union                  |                             | Proportional            | Divided      |                        |        |
|---|-----------|---|-----------------------|------------------------|-----------------------------|-------------------------|--------------|------------------------|--------|
| Dependent variables Log GNP<br>per capita | 1928-1995 | 1975–1995   | density<br>1997       | Autocracy<br>1950–1990 | representation<br>1975–1995 | government<br>1975–1995 | Constant     | N<br>[R <sup>2</sup> ] |        |
| Employment laws                           |           |   |                       |                        |                             |                         |              |                        |        |
| index                                     | 0.0189    | $0.1812^{b}$  |                       |                        |                             |                         |              | 0.2335                 | 85     |
|   | (0.0149)  | (0.0693)  |                       |                        |                             |                         |              | (0.1419)               | [0.08] |
|   | 0.0216    |   | $0.1934^{\mathrm{a}}$ |                        |                             |                         |              | 0.2088                 | 85     |
|   | (0.0141)  |   | (0.0553)              |                        |                             |                         |              | (0.1295)               | [0.12] |
|   | -0.0051   |   |                       | $0.2275^{b}$           |                             |                         |              | $0.4545^{\rm a}$       | 70     |
|   | (0.0150)  |   |                       | (0.0869)               |                             |                         |              | (0.1140)               | [0.08] |
|   | 0.0216    |   |                       |                        | 0.0295                      |                         |              | 0.2640                 | 70     |
|   | (0.0198)  |   |                       |                        | (0.0613)                    |                         |              | (0.1913)               | [0.02] |
|   | -0.0136   |   |                       |                        |                             | $0.1431^{\rm a}$        |              | $0.5310^{\mathrm{a}}$  | 84     |
|   | (0.0140)  |   |                       |                        |                             | (0.0486)                |              | (0.1074)               | [0.08] |
|   | -0.0055   |   |                       |                        |                             |                         | $0.1892^{b}$ | $0.4354^{\mathrm{a}}$  | 83     |
|   | (0.0153)  |   |                       |                        |                             |                         | (0.0946)     | (0.1116)               | [0.06] |

# Replicating Botero et al Model with LAMRIG

# Table V.1 The Extent of Labor Regulation, Legal Origins and Per Capita GDP (Dependent variable: Level of LAMRIG, Labor Market Rigidity)

|                              | [1]           | [2]       | [3]      | [4]       | [5]        | [6]       | [7]        |
|------------------------------|---------------|-----------|----------|-----------|------------|-----------|------------|
|                              | Botero et al. | Xsection  | PoolOLS  | Pre1980   | Post1980   | OECD      | Non-OECD   |
| Log Per Capita GDP           | -0.001        | -0.0716** | -0.00224 | -0.160*** | -0.0790*** | 0.428***  | -0.0419*** |
|                              | [0.0116]      | [0.028]   | [0.016]  | [0.033]   | [0.018]    | [0.038]   | [0.016]    |
| Socialist Legal Origin       | 0.2943***     | 0.698***  | 0.956*** | 0.839***  | 0.839***   |           | 0.788***   |
|                              | [0.0453]      | [0.11]    | [0.075]  | [0.081]   | [0.081]    |           | [0.078]    |
| French Legal Origin          | 0.2474***     | 0.477***  | 0.621*** | 0.669***  | 0.569***   | 1.109***  | 0.453***   |
|                              | [0.0381]      | [0.066]   | [0.041]  | [0.069]   | [0.041]    | [0.091]   | [0.034]    |
| German Legal Origin          | 0.1553**      | 0.474***  | 0.335*** | 0.192     | 0.535***   | 0.476***  | 0.333***   |
|                              | [0.0702]      | [0.12]    | [0.096]  | [0.16]    | [0.089]    | [0.15]    | [0.096]    |
| Scandinavian Legal Origin    | 0.3865***     | 0.901***  | 0.562*** | 0.503***  | 1.128***   | 1.074***  |            |
|                              | [0.0462]      | [0.11]    | [0.12]   | [0.16]    | [0.080]    | [0.092]   |            |
| Constant                     | 0.3072***     | 1.860***  | 1.067*** | 1.983***  | 1.826***   | -3.211*** | 1.566***   |
|                              | [0.1038]      | [0.24]    | [0.13]   | [0.24]    | [0.15]     | [0.34]    | [0.12]     |
| Observations                 | 85            | 142       | 792      | 324       | 468        | 222       | 570        |
| R-squared                    | 0.44          | 0.36      | 0.22     | 0.24      | 0.35       | 0.56      | 0.23       |
| Notes: Robust standard error | s in brackets |           |          |           |            |           |            |

# Replicating Botero et al Model with LAMRIG

# Table V.1 The Extent of Labor Regulation, Legal Origins and Per Capita GDP (Dependent variable: Level of LAMRIG, Labor Market Rigidity)

|                             | [1]<br>Potero et al | [2]<br>Vecation | [3]<br>BealOLS | [4]<br>Pro1080 | [5]<br>Bost1080 | [6]       | [7]<br>Ner OFCD |
|-----------------------------|---------------------|-----------------|----------------|----------------|-----------------|-----------|-----------------|
|                             | Dotero et al.       | Asection        | POOLOLS        | Pre1980        | POS(1980        | ULCD      | Non-OLCD        |
| Log Per Capita GDP          | -0.001              | -0.0716**       | -0.00224       | -0.160***      | -0.0790***      | 0.428***  | -0.0419***      |
|                             | [0.0116]            | [0.028]         | [0.016]        | [0.033]        | [0.018]         | [0.038]   | [0.016]         |
| Socialist Legal Origin      | 0.2943***           | 0.698***        | 0.956***       | 0.839***       | 0.839***        |           | 0.788***        |
|                             | [0.0453]            | [0.11]          | [0.075]        | [0.081]        | [0.081]         |           | [0.078]         |
| French Legal Origin         | 0.2474***           | 0.477***        | 0.621***       | 0.669***       | 0.569***        | 1.109***  | 0.453***        |
|                             | [0.0381]            | [0.066]         | [0.041]        | [0.069]        | [0.041]         | [0.091]   | [0.034]         |
| German Legal Origin         | 0.1553**            | 0.474***        | 0.335***       | 0.192          | 0.535***        | 0.476***  | 0.333***        |
|                             | [0.0702]            | [0.12]          | [0.096]        | [0.16]         | [0.089]         | [0.15]    | [0.096]         |
| Scandinavian Legal Origin   | 0.3865***           | 0.901***        | 0.562***       | 0.503***       | 1.128***        | 1.074***  |                 |
|                             | [0.0462]            | [0.11]          | [0.12]         | [0.16]         | [0.080]         | [0.092]   |                 |
| Constant                    | 0.3072***           | 1.860***        | 1.067***       | 1.983***       | 1.826***        | -3.211*** | 1.566***        |
|                             | [0.1038]            | [0.24]          | [0.13]         | [0.24]         | [0.15]          | [0.34]    | [0.12]          |
| Observations                | 85                  | 142             | 792            | 324            | 468             | 222       | 570             |
| R-squared                   | 0.44                | 0.36            | 0.22           | 0.24           | 0.35            | 0.56      | 0.23            |
| Notes: Robust standard erro | rs in brackets      |                 |                |                |                 |           |                 |

Notes. Robust standard enois in brackets.

# Table V.2 Labor Market Reform, Legal Origins and Per Capita GDP Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                           | [1]<br>PoolOLS | [2]<br>Pre1980 | [3]<br>Post1980 | [4]<br>OECD | [5]<br>Non-OECD |
|---------------------------|----------------|----------------|-----------------|-------------|-----------------|
| Log Per Capita GDP        | -0.00214       | 0.00186        | 0.0380***       | -0.0515***  | -0.00813        |
| -                         | [0.0058]       | [0.0069]       | [0.013]         | [0.017]     | [0.0050]        |
| Socialist Legal Origin    | 0.03           | 0.0305         | 0.0305          |             | 0.0518**        |
|                           | [0.024]        | [0.025]        | [0.025]         |             | [0.024]         |
| French Legal Origin       | 0.00364        | -0.0169        | 0.0341          | 0.0491      | -0.00478        |
|                           | [0.013]        | [0.015]        | [0.022]         | [0.030]     | [0.0088]        |
| German Legal Origin       | -0.0153        | -0.0603        | 0.0133          | 0.039       | -0.0459         |
|                           | [0.029]        | [0.043]        | [0.032]         | [0.027]     | [0.033]         |
| Scandinavian Legal Origin | 0.0980***      | -0.0933*       | 0.182***        | 0.0691**    |                 |
|                           | [0.036]        | [0.049]        | [0.050]         | [0.034]     |                 |
| Constant                  | 0.0541         | 0.0167         | -0.223**        | 0.514***    | 0.0815**        |
|                           | [0.043]        | [0.053]        | [0.090]         | [0.14]      | [0.037]         |
| Observations              | 721            | 397            | 324             | 220         | 501             |
| Number of countries       | 133            | 133            | 90              | 23          | 110             |

# Extending Botero et al with other determinants

We focus on four main sets of LAMRIG determinants besides GDPPC and Legal Origins

Structural factors

- Political factors (crises)
- Economic crises (shocks)
- Relationship with other reforms

# Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

 Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

 [1]
 [2]
 [3]
 [4]

 Structural Factor:
 Income Gini
 Govt Share of
 Foreign Aid
 Natural Res

 CDP
 to CDP
 Fxports (%)

| ou worden i doron.               | Income Onn  | Gove share of | I of eight And | 1 atul al 1465 | Agric Share |
|----------------------------------|-------------|---------------|----------------|----------------|-------------|
|                                  |             | GDP           | to GDP         | Exports (%)    | in GDP      |
| Lagged LAMRIG                    | -0.192***   | -0.162***     | -0.146***      | -0.169***      | -0.134***   |
|                                  | [0.053]     | [0.019]       | [0.017]        | [0.019]        | [0.020]     |
| French Legal Origin              | 0.0917**    | 0.103***      | 0.0962***      | 0.104***       | 0.0945***   |
|                                  | [0.043]     | [0.021]       | [0.020]        | [0.020]        | [0.023]     |
| German Legal Origin              | 0.0746      | 0.0383        | 0.0304         | 0.059          | 0.0153      |
|                                  | [0.066]     | [0.039]       | [0.035]        | [0.039]        | [0.032]     |
| Scandinavian Legal Origin        | 0.168**     | 0.173***      | 0.168***       | 0.198***       | 0.171***    |
|                                  | [0.080]     | [0.023]       | [0.022]        | [0.031]        | [0.024]     |
| Socialist Legal Origin           | 0.120**     | 0.169***      | 0.152***       | 0.178***       | 0.210***    |
|                                  | [0.049]     | [0.035]       | [0.041]        | [0.041]        | [0.027]     |
| Log Per Capita GDP               | -0.0331***  | -0.00199      | -0.00464       | -0.00731       | 0.00501     |
|                                  | [0.013]     | [0.0060]      | [0.0060]       | [0.0056]       | [0.014]     |
| Lagged Structural Factor         | -0.00114    | 0.000795      | 0.000442       | 0.000479       | 0.0325      |
|                                  | [0.0017]    | [0.00066]     | [0.00088]      | [0.00031]      | [0.060]     |
| Constant                         | 0.567***    | 0.203***      | 0.220***       | 0.261***       | 0.122       |
|                                  | [0.17]      | [0.053]       | [0.048]        | [0.048]        | [0.12]      |
| Observations                     | 150         | 600           | 539            | 599            | 415         |
| Number of countries              | 101         | 122           | 120            | 125            | 96          |
| Notes: Robust standard errors in |             |               |                |                |             |
| brackets,                        |             |               |                |                |             |
|                                  | / 14 / 100/ |               |                |                |             |

[5]

A gric Share

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and <mark>Structural Factors</mark> Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|  | [1]          | [2]           | [3]         | [4]         | [5]         |
|--|--------------|---------------|-------------|-------------|-------------|
| Structural Factor:                       | Income Gini  | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|  |              | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                            | -0.192***    | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|  | [0.053]      | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                      | 0.0917**     | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|  | [0.043]      | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                      | 0.0746       | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|  | [0.066]      | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin                | 0.168**      | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|  | [0.080]      | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                   | 0.120**      | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|  | [0.049]      | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                       | -0.0331***   | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|  | [0.013]      | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                 | -0.00114     | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|  | [0.0017]     | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                 | 0.567***     | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|  | [0.17]       | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                             | 150          | 600           | 539         | 599         | 415         |
| Number of countries                      | 101          | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in         |              |               |             |             |             |
| brackets,                                |              |               |             |             |             |
| *** denotes significant at 10/ ** at 50/ | and * at 10% |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]           | [2]           | [3]         | [4]         | [5]         |
|---|---------------|---------------|-------------|-------------|-------------|
| Structural Factor:                      | Income Gini   | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|   |               | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                           | -0.192***     | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|   | [0.053]       | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                     | 0.0917**      | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|   | [0.043]       | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                     | 0.0746        | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|   | [0.066]       | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin               | 0.168**       | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|   | [0.080]       | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                  | 0.120**       | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|   | [0.049]       | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                      | -0.0331***    | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|   | [0.013]       | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                | -0.00114      | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|   | [0.0017]      | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                | 0.567***      | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|   | [0.17]        | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                            | 150           | 600           | 539         | 599         | 415         |
| Number of countries                     | 101           | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in        |               |               |             |             |             |
| brackets,                               |               |               |             |             |             |
| *** denotes significant at 1%, ** at 5% | and * at 10%. |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]         | [2]           | [3]         | [4]         | [5]         |
|----------------------------------|-------------|---------------|-------------|-------------|-------------|
| Structural Factor:               | Income Gini | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|                                  |             | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                    | -0.192***   | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|                                  | [0.053]     | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin              | 0.0917**    | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|                                  | [0.043]     | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin              | 0.0746      | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|                                  | [0.066]     | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin        | 0.168**     | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|                                  | [0.080]     | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin           | 0.120**     | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|                                  | [0.049]     | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP               | -0.0331***  | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|                                  | [0.013]     | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor         | -0.00114    | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|                                  | [0.0017]    | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                         | 0.567***    | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|                                  | [0.17]      | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                     | 150         | 600           | 539         | 599         | 415         |
| Number of countries              | 101         | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in |             |               |             |             |             |
| brackets,                        |             |               |             |             |             |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Structural Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]             | [2]           | [3]         | [4]         | [5]         |
|---|-----------------|---------------|-------------|-------------|-------------|
| Structural Factor:                      | Income Gini     | Govt Share of | Foreign Aid | Natural Res | Agric Share |
|   |                 | GDP           | to GDP      | Exports (%) | in GDP      |
| Lagged LAMRIG                           | -0.192***       | -0.162***     | -0.146***   | -0.169***   | -0.134***   |
|   | [0.053]         | [0.019]       | [0.017]     | [0.019]     | [0.020]     |
| French Legal Origin                     | 0.0917**        | 0.103***      | 0.0962***   | 0.104***    | 0.0945***   |
|   | [0.043]         | [0.021]       | [0.020]     | [0.020]     | [0.023]     |
| German Legal Origin                     | 0.0746          | 0.0383        | 0.0304      | 0.059       | 0.0153      |
|   | [0.066]         | [0.039]       | [0.035]     | [0.039]     | [0.032]     |
| Scandinavian Legal Origin               | 0.168**         | 0.173***      | 0.168***    | 0.198***    | 0.171***    |
|   | [0.080]         | [0.023]       | [0.022]     | [0.031]     | [0.024]     |
| Socialist Legal Origin                  | 0.120**         | 0.169***      | 0.152***    | 0.178***    | 0.210***    |
|   | [0.049]         | [0.035]       | [0.041]     | [0.041]     | [0.027]     |
| Log Per Capita GDP                      | -0.0331***      | -0.00199      | -0.00464    | -0.00731    | 0.00501     |
|   | [0.013]         | [0.0060]      | [0.0060]    | [0.0056]    | [0.014]     |
| Lagged Structural Factor                | -0.00114        | 0.000795      | 0.000442    | 0.000479    | 0.0325      |
|   | [0.0017]        | [0.00066]     | [0.00088]   | [0.00031]   | [0.060]     |
| Constant                                | 0.567***        | 0.203***      | 0.220***    | 0.261***    | 0.122       |
|   | [0.17]          | [0.053]       | [0.048]     | [0.048]     | [0.12]      |
| Observations                            | 150             | 600           | 539         | 599         | 415         |
| Number of countries                     | 101             | 122           | 120         | 125         | 96          |
| Notes: Robust standard errors in        |                 |               |             |             |             |
| brackets,                               |                 |               |             |             |             |
| *** denotes significant at 1%, ** at 5% | 6 and * at 10%. |               |             |             |             |

# Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

[3] [4] [5] [1][2] Years of Current Economic Crises/Shocks: Debt Crises High Inflation Max Fall of Negative Account GDP GDP Growth (>30% p.a.) Crises Lagged LAMRIG -0.181\*\*\* -0.234\*\*\* -0.161\*\*\* -0.156\*\*\* -0.147\*\*\* [0.031] [0.031] [0.018] [0.018] [0.016] 0.103\*\*\* 0.133\*\*\* 0.100\*\*\* 0.0978\*\*\* 0.101\*\*\* French Legal Origin [0.027] [0.029] [0.020] [0.020] [0.021] 0.0924\* 0.048 0.0405 0.039 0.0254 German Legal Origin [0.044] [0.053] [0.037] [0.035] [0.031] 0.274\*\*\* 0.171\*\*\* 0.170\*\*\* 0.172\*\*\* 0.166\*\*\* Scandinavian Legal Origin [0.045] [0.043] [0.022] [0.022] [0.033] 0.178\*\*\* 0.209\*\*\* 0.283\*\*\* 0.183\*\*\* 0.172\*\*\* Socialist Legal Origin [0.042] [0.043] [0.040] [0.036] [0.056] -0.0154\*\* Log Per Capita GDP -0.0149\*\* -0.00412-0.00454 -0.00467 [0.0066] [0.0069] [0.0058] [0.0056] [0.0057] -0.001190.02 0.000592 0.0104 0.0297 Lagged Economic Crises [0.012] [0.023] [0.0016] [0.011] [0.021] 0.349\*\*\* 0.408\*\*\* 0.234\*\*\* 0.228\*\*\* 0.215\*\*\* Constant [0.075] [0.068] [0.047] [0.046] [0.047] 453 538 606 606 528 **Observations** Number of countries 124 123 125 125 118 Notes: Robust standard errors in brackets.

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]         | [2]            | [3]         | [4]        | [5]       |
|---|-------------|----------------|-------------|------------|-----------|
|   |             |                |             | Years of   | Current   |
| Economic Crises/Shocks:                       | Debt Crises | High Inflation | Max Fall of | Negative   | Account   |
|   |             | (>30% p.a.)    | GDP         | GDP Growth | Crises    |
| Lagged LAMRIG                                 | -0.181***   | -0.234***      | -0.161***   | -0.156***  | -0.147*** |
|   | [0.031]     | [0.031]        | [0.018]     | [0.018]    | [0.016]   |
| French Legal Origin                           | 0.103***    | 0.133***       | 0.100***    | 0.0978***  | 0.101***  |
|   | [0.027]     | [0.029]        | [0.020]     | [0.020]    | [0.021]   |
| German Legal Origin                           | 0.048       | 0.0924*        | 0.0405      | 0.039      | 0.0254    |
|   | [0.044]     | [0.053]        | [0.037]     | [0.035]    | [0.031]   |
| Scandinavian Legal Origin                     | 0.172***    | 0.274***       | 0.171***    | 0.170***   | 0.166***  |
|   | [0.045]     | [0.043]        | [0.022]     | [0.022]    | [0.033]   |
| Socialist Legal Origin                        | 0.209***    | 0.283***       | 0.183***    | 0.178***   | 0.172***  |
|   | [0.042]     | [0.043]        | [0.040]     | [0.036]    | [0.056]   |
| Log Per Capita GDP                            | -0.0149**   | -0.0154**      | -0.00412    | -0.00454   | -0.00467  |
|   | [0.0066]    | [0.0069]       | [0.0058]    | [0.0056]   | [0.0057]  |
| Lagged Economic Crises                        | -0.00119    | 0.02           | 0.000592    | 0.0104     | 0.0297    |
|   | [0.012]     | [0.023]        | [0.0016]    | [0.011]    | [0.021]   |
| Constant                                      | 0.349***    | 0.408***       | 0.234***    | 0.228***   | 0.215***  |
|   | [0.075]     | [0.068]        | [0.047]     | [0.046]    | [0.047]   |
| Observations                                  | 453         | 538            | 606         | 606        | 528       |
| Number of countries                           | 124         | 123            | 125         | 125        | 118       |
| Notes: Robust standard errors in<br>brackets, |             |                |             |            |           |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]         | [2]                           | [3]                | [4]                                | [5]                          |
|---|-------------|-------------------------------|--------------------|------------------------------------|------------------------------|
| Economic Crises/Shocks:                       | Debt Crises | High Inflation<br>(>30% p.a.) | Max Fall of<br>GDP | Years of<br>Negative<br>GDP Growth | Current<br>Account<br>Crises |
| Lagged LAMRIG                                 | -0.181***   | -0.234***                     | -0.161***          | -0.156***                          | -0.147***                    |
|   | [0.031]     | [0.031]                       | [0.018]            | [0.018]                            | [0.016]                      |
| French Legal Origin                           | 0.103***    | 0.133***                      | 0.100***           | 0.0978***                          | 0.101***                     |
|   | [0.027]     | [0.029]                       | [0.020]            | [0.020]                            | [0.021]                      |
| German Legal Origin                           | 0.048       | 0.0924*                       | 0.0405             | 0.039                              | 0.0254                       |
|   | [0.044]     | [0.053]                       | [0.037]            | [0.035]                            | [0.031]                      |
| Scandinavian Legal Origin                     | 0.172***    | 0.274***                      | 0.171***           | 0.170***                           | 0.166***                     |
|   | [0.045]     | [0.043]                       | [0.022]            | [0.022]                            | [0.033]                      |
| Socialist Legal Origin                        | 0.209***    | 0.283***                      | 0.183***           | 0.178***                           | 0.172***                     |
|   | [0.042]     | [0.043]                       | [0.040]            | [0.036]                            | [0.056]                      |
| Log Per Capita GDP                            | -0.0149**   | -0.0154**                     | -0.00412           | -0.00454                           | -0.00467                     |
|   | [0.0066]    | [0.0069]                      | [0.0058]           | [0.0056]                           | [0.0057]                     |
| Lagged Economic Crises                        | -0.00119    | 0.02                          | 0.000592           | 0.0104                             | 0.0297                       |
|   | [0.012]     | [0.023]                       | [0.0016]           | [0.011]                            | [0.021]                      |
| Constant                                      | 0.349***    | 0.408***                      | 0.234***           | 0.228***                           | 0.215***                     |
|   | [0.075]     | [0.068]                       | [0.047]            | [0.046]                            | [0.047]                      |
| Observations                                  | 453         | 538                           | 606                | 606                                | 528                          |
| Number of countries                           | 124         | 123                           | 125                | 125                                | 118                          |
| Notes: Robust standard errors in<br>brackets, |             |                               |                    |                                    |                              |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]                   | [2]                           | [3]                  | [4]                                | [5]                  |
|---|-----------------------|-------------------------------|----------------------|------------------------------------|----------------------|
| Economic Crises/Shocks:                       | Debt Crises           | High Inflation<br>(>30% p.a.) | Max Fall of<br>GDP   | Years of<br>Negative<br>GDP Growth | Account<br>Crises    |
| Lagged LAMRIG                                 | -0.181***<br>[0.031]  | -0.234***<br>[0.031]          | -0.161***<br>[0.018] | -0.156***<br>[0.018]               | -0.147***<br>[0.016] |
| French Legal Origin                           | 0.103***              | 0.133***                      | 0.100***<br>[0.020]  | 0.0978***                          | 0.101***<br>[0.021]  |
| German Legal Origin                           | 0.048                 | 0.0924* [0.053]               | 0.0405               | 0.039                              | 0.0254 [0.031]       |
| Scandinavian Legal Origin                     | 0.172***<br>[0.045]   | 0.274***<br>[0.043]           | 0.171***<br>[0.022]  | 0.170*** [0.022]                   | 0.166*** [0.033]     |
| Socialist Legal Origin                        | 0.209***<br>[0.042]   | 0.283***<br>[0.043]           | 0.183***<br>[0.040]  | 0.178***<br>[0.036]                | 0.172***<br>[0.056]  |
| Log Per Capita GDP                            | -0.0149**<br>[0.0066] | -0.0154**<br>[0.0069]         | -0.00412<br>[0.0058] | -0.00454<br>[0.0056]               | -0.00467<br>[0.0057] |
| Lagged Economic Crises                        | -0.00119              | 0.02                          | 0.000592<br>[0.0016] | 0.0104                             | 0.0297               |
| Constant                                      | 0.349***<br>[0.075]   | 0.408***<br>[0.068]           | 0.234***<br>[0.047]  | 0.228***<br>[0.046]                | 0.215***<br>[0.047]  |
| Observations                                  | 453                   | 538                           | 606                  | 606                                | 528                  |
| Number of countries                           | 124                   | 123                           | 125                  | 125                                | 118                  |
| Notes: Robust standard errors in<br>brackets, |                       |                               |                      |                                    |                      |

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Economic Crises/Shocks Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|   | [1]          | [2]            | [3]         | [4]<br>Years of | [5]<br>Current |
|---|--------------|----------------|-------------|-----------------|----------------|
| Economic Crises/Shocks:                     | Debt Crises  | High Inflation | Max Fall of | Negative        | Account        |
|   |              | (>30% p.a.)    | GDP         | GDP Growth      | Crises         |
| Lagged LAMRIG                               | -0.181***    | -0.234***      | -0.161***   | -0.156***       | -0.147***      |
|   | [0.031]      | [0.031]        | [0.018]     | [0.018]         | [0.016]        |
| French Legal Origin                         | 0.103***     | 0.133***       | 0.100***    | 0.0978***       | 0.101***       |
|   | [0.027]      | [0.029]        | [0.020]     | [0.020]         | [0.021]        |
| German Legal Origin                         | 0.048        | 0.0924*        | 0.0405      | 0.039           | 0.0254         |
|   | [0.044]      | [0.053]        | [0.037]     | [0.035]         | [0.031]        |
| Scandinavian Legal Origin                   | 0.172***     | 0.274***       | 0.171***    | 0.170***        | 0.166***       |
|   | [0.045]      | [0.043]        | [0.022]     | [0.022]         | [0.033]        |
| Socialist Legal Origin                      | 0.209***     | 0.283***       | 0.183***    | 0.178***        | 0.172***       |
|   | [0.042]      | [0.043]        | [0.040]     | [0.036]         | [0.056]        |
| Log Per Capita GDP                          | -0.0149**    | -0.0154**      | -0.00412    | -0.00454        | -0.00467       |
|   | [0.0066]     | [0.0069]       | [0.0058]    | [0.0056]        | [0.0057]       |
| Lagged Economic Crises                      | -0.00119     | 0.02           | 0.000592    | 0.0104          | 0.0297         |
|   | [0.012]      | [0.023]        | [0.0016]    | [0.011]         | [0.021]        |
| Constant                                    | 0.349***     | 0.408***       | 0.234***    | 0.228***        | 0.215***       |
|   | [0.075]      | [0.068]        | [0.047]     | [0.046]         | [0.047]        |
| Observations                                | 453          | 538            | 606         | 606             | 528            |
| Number of countries                         | 124          | 123            | 125         | 125             | 118            |
| Notes: Robust standard errors in            |              | •              |             |                 |                |
| brackets,                                   |              |                |             |                 |                |
| *** demotes significant at 10/ ** at 50/ as | -1 * -+ 100/ |                |             |                 |                |

<sup>e</sup> denotes significant at 1%, \*\* at 5% and \* at 10%.

# Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           |           | -              |           | -              |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           |           |                |           |                |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           | -         |                |           | -              |             |

brackets,

Labor Market Reform, Inertia, Legal Origins, Per Capita GDP and Political Crises/Factors Dependent variable: Change of LAMRIG, Labor Market Rigidity

Random-Effects Panel Estimator with Standard Errors Clustered at Country Level

|                                  | [1]       | [2]       | [3]            | [4]       | [5]            | [6]         |
|----------------------------------|-----------|-----------|----------------|-----------|----------------|-------------|
| Political Crises/Factors:        | Democracy | POLCON    | Assassinations | Strikes   | International  | Civil war   |
|                                  |           |           |                |           | conflict (war) | (intensity) |
| Lagged LAMRIG                    | -0.146*** | -0.212*** | -0.145***      | -0.147*** | -0.181***      | -0.153***   |
|                                  | [0.019]   | [0.028]   | [0.017]        | [0.017]   | [0.037]        | [0.018]     |
| French Legal Origin              | 0.0889*** | 0.122***  | 0.0976***      | 0.0976*** | 0.0913***      | 0.115***    |
|                                  | [0.020]   | [0.026]   | [0.020]        | [0.020]   | [0.030]        | [0.025]     |
| German Legal Origin              | 0.0471    | 0.0997**  | 0.0547         | 0.0561    | 0.137**        | 0.0930***   |
|                                  | [0.031]   | [0.044]   | [0.035]        | [0.036]   | [0.060]        | [0.030]     |
| Scandinavian Legal Origin        | 0.181***  | 0.275***  | 0.163***       | 0.165***  |                | 0.184***    |
|                                  | [0.024]   | [0.044]   | [0.022]        | [0.022]   |                | [0.025]     |
| Socialist Legal Origin           | 0.145***  | 0.189***  | 0.153***       | 0.150***  | 0.180***       | 0.178***    |
|                                  | [0.040]   | [0.048]   | [0.041]        | [0.041]   | [0.062]        | [0.058]     |
| Log Per Capita GDP               | -0.000665 | -0.00873  | -0.00529       | -0.00527  | -0.00631       | -0.000246   |
|                                  | [0.0081]  | [0.012]   | [0.0053]       | [0.0055]  | [0.0085]       | [0.0058]    |
| Lagged Political Crises          | -0.00231  | -0.0534   | -0.0129*       | -0.0133   | -0.0092        | 0.00743     |
|                                  | [0.0030]  | [0.060]   | [0.0071]       | [0.015]   | [0.0068]       | [0.0052]    |
| Constant                         | 0.203***  | 0.350***  | 0.227***       | 0.229***  | 0.286***       | 0.175***    |
|                                  | [0.048]   | [0.077]   | [0.045]        | [0.046]   | [0.065]        | [0.048]     |
| Observations                     | 570       | 538       | 567            | 567       | 316            | 485         |
| Number of countries              | 119       | 122       | 120            | 120       | 76             | 93          |
| Notes: Robust standard errors in |           |           |                |           |                |             |
| brackets                         |           |           |                |           |                |             |