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Globalization and Labor Market Institutions:
International Empirical Evidence

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Abstract

A widespread concern is that labor market institutions erode in the course of globalization, which, in turn, decreases employment and wages. By using panel data and cross-sectional data, I investigate the influence of globalization on labor market regulation. I use the indicators of labor market institutions by Gwartney et al. (2012) and the KOF indices of globalization. To deal with potential reverse causality, I employ a system GMM panel estimator and use a constructed trade share as proposed by Frankel and Romer (1999) as an instrumental variable for globalization in cross-sectional models. The results do not show that globalization induced labor market deregulation.

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1. Introduction

It is often claimed that working conditions of unskilled workers deteriorate in the course of globalization and that jobs of unskilled workers even disappear (e.g., Heine and Thakur 2011, Stiglitz 2002, Wood 1995, 1998).[2] This skeptical view on globalization is held for two reasons: first, internationalization is supposed to increase competitive pressure. Firms, as a consequence, decrease wages, rationalize production processes, and demand more from their workers. Second, globalization is also believed to induce governments to deregulate labor markets to provide advantages to national and foreign investors. Governments may do so, for example, by reducing employment protection, unemployment benefits and minimum wages. More competition between firms and increasing trade liberalization is believed to induce a race to the bottom at the expense of workers, and labor market deregulation, in particular, is often held responsible for deteriorating working conditions and well-being of workers (e.g., OECD 2004, Chapter 2; Häberli et al. 2012).

While a widespread concern is that globalization adversely influences labor market performance (employment and wages) and labor market institutions, there are gains from specialization according to comparative advantage and benefits from trade.[3] The influence of globalization on labor markets has been investigated using theoretical models and using firm or plant level data and macro data. Evidence is mixed and depends on the aspect of globalization investigated (trade openness, foreign direct investment, or outsourcing) and labor market indicators. Globalization influences labor markets in many ways: it directly influences employment and wages as well as labor market institutions, which, in turn, affect employment and wages.[4] Research designs therefore vary with respect to the aspect of

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[2] Stiglitz (2002: 84) argues: "We have seen how trade liberalization *accompanied by high interest rates* is an almost certain recipe for job destruction and unemployment creation – at the expense of the poor."
[3] See Gaston and Nelson (2004) on the dissonance between the worries of the average citizen in the course of globalization and economists' point of view.
[4] Labor market institutions have been shown to significantly influence unemployment: labor market freedom increases employment (e.g., Botero et al. 2004, Feldmann 2009, Freeman 2010). Mandated benefits appear to

globalization investigated and also with respect to labor market indicators (employment, wages, wage equality, unemployment benefits, minimum wage legislation, union density etc.). Studies that investigate the influence of an individual component of globalization such as trade openness on labor market performance and institutions conclude that globalization affects labor market performance and institutions.

The term globalization has many aspects. Many studies defined globalization as either trade openness or flows of foreign investments. An empirical study examining the influence of globalization on labor market institutions should encompass all dimensions that reflect the multi-faceted face of globalization. There is a need for precision about what is meant by globalization and how the identified elements of globalization can be measured.

Empirical evidence on the influence of globalization on labor market institutions is mixed because labor market institutions vary significantly across countries (e.g. Freeman 2010, Feldmann 2003). Labor markets are, for example, less regulated in Anglo-Saxon countries such as the United States, Canada, the United Kingdom, Australia and New Zealand, and are more regulated in countries such as Finland or Norway. Labor market institutions vary across low-income countries but less so than across industrialized countries (Freeman 2010). In particular, in low-income countries, government regulations are nominally as important as in industrialized countries, whereas unions and collective bargaining are less important. To find out how globalization influences labor market institutions around the world, empirical studies need to exploit the institutional variation across countries.

Globalization-induced labor market effects receive attention in the scientific and public debate because of the broad consequences for perceived social justice as well as efficiency (Hillman 2008). If globalization erodes labor market institutions that protect jobs

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increase labor costs and reduce employment. Minimum wages appear to reduce employment. Weakened employment protection legislation has been associated with lower unemployment. Empirical studies examining the influence of labor market institutions on economic growth provide however mixed evidence. Freeman (2010) concludes that labor market institutions do not influence economic growth.

and wages, government intervention might be regarded as justified when the focus is on social justice. This might be particularly so if the purpose of international trade policies is to protect labor.[5]

I investigate the influence of globalization on labor market institutions by employing the indicators on labor market institutions of the Economic Freedom of the World (Gwartney et al. 2012), which I use in a panel data analysis and a cross-sectional analysis. Globalization is measured by the KOF indices of globalization by Dreher (2006a) and Dreher et al. (2008a).[6] I use the overall labor market institutions indicator and sub indicators on, for example, minimum wage legislation, and the KOF sub indices on economic, social and political globalization. While globalization is expected to influence labor market institutions, causality between globalization and labor market institutions may be reverse: it is conceivable that flexible labor markets, for example, attract foreign investment. Governments may thus compete in deregulating labor markets in order to attract foreign direct investment. I deal with potential reverse causality by using a system GMM panel estimator and using a constructed trade share as proposed by Frankel and Romer (1999) as an instrumental variable for globalization in cross-sectional models. The results do not show that globalization induced labor market deregulation.

2. Background

2.1 Theoretical background

Globalization is "transformative" and influences labor market outcomes such as employment and wages and labor market institutions (Gaston and Nelson 2004). System competition may

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[5] On the political economy of protection, which studies how interests of different groups are reflected in international trade policy, see Hillman (1982, 1989/2001, 2005), Grossman and Helpman (1994), and subsequent studies.

[6] The KOF index is used to measure globalization in empirical research on the influence of globalization on human development and economic policy-making (see, for example, Dreher 2006b, Dreher and Gaston 2008, Bergh and Nilsson 2010a, 2010b, Bjørnskov 2010, De Soysa and Vadlamannati 2011, Bezemer and Jong-A-Pin 2013).

induce a "race to the bottom" with regard to labor market institutions and regulation of product markets (e.g. Sinn 1997). Some theoretical models predict how aspects of globalization influence labor market instiutions. The model by Boulhol (2009) shows that globalization puts pressure on labor market institutions via two channels: first, "capital mobility triggers a re-allocation of resources, which trade integration amplifies, away from the high-rent / highly unionized sector. Second, the threat of costly relocations encourages labor market deregulation" (p. 223). The main mechanism why labor market institutions erode in the course of globalization is that shareholders decide where to invest and where to locate firms. Because capital is mobile, shareholders have many options to invest and, thus, strong bargaining power. Trade liberalization amplifies the firms' bargaining power. Political support for labor market regulation is endogenous. Governments deregulate labor markets because they fear that firms invest in other countries.

The model by Dimitrova and Tchipev (2004) examines how international capital mobility influences labor market regulation and predicts that labor market institutions are not necessarily scaled down in the course of globalization. In fact, the relative strength of the politically active groups determines the direction of the globalization-induced policy response. Workers and capital owners lobby the government on minimum wage legislation. The model predicts that labor market deregulation occurs when workers are more influential than capital owners. The intuition is that "the minimum wage is less effective as a tool for redistribution in an integrated economy" (p. 8). Similar countries may have fundamentally different labor market institutions because of small differences in the national political processes.

By using a two-country, one-sector, asymmetric trade model with heterogeneous firms with search and matching frictions on the labor market, Felbermayr et al. (2012) investigate how trade liberalization influences the countries' optimal choice of labor market institutions. The model shows that more open countries have more generous unemployment benefit

replacement rates. Domestic consumers can purchase goods from foreign firms. Foreign consumers can purchase goods from domestic firms. Government policies such as changing unemployment benefit replacement rates induce externalities because relative import and export prices change. Externalities are, however, not internalized. Higher domestic unemployment benefit replacement rates give rise to more domestic unemployment. This, in turn, reduces the supply of the domestic relative to the foreign good. With homothetic preferences, relative demand remains unchanged, so that the terms-of-trade of the domestic economy improve while those of the foreign economy worsen. Improving terms-of-trade of the domestic economy allows to effectively discharge part of the cost of higher benefit rates to foreign workers. Because more open countries rely to a large extent on foreign demand for their exports, the externality is larger and more open countries thus benefit by providing more generous unemployment benefit replacement rates.[7]

The compensation hypothesis predicts that globalization increases the size of government. "People demand compensation against risk when their economies are more exposed to international economic forces; and governments respond by erecting broader safety nets…" (Rodrik 2011: 18).[8] Indeed, Agell (2002) argues that globalization is not likely to erode labor market institutions because "voters are more willing to pay a high premium to preserve institutions that provide insurance" (p. 107).

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[7] Saint-Paul (2007) investigates how trade liberalization influences utility of workers in a two-country model.
[8] Rodrik (1998: 998-999) argues that international trade and financial integration increase external risk. For example, fluctuations in trade and finance and product concentration of export give rise to uncertainty and income volatility. People therefore experience instability and employment fluctuations. A part of the population gains while others lose because of globalization. This redistribution generates a higher demand for social insurance and compensation for the losers of globalization in form of unemployment insurance, benefit payments etc. See, for example, Schulze and Ursprung (1999), Ursprung (2008), Dreher et al (2008b) and Meinhard and Potrafke (2012) on the globalization-welfare state nexus.

2.2 Firm and plant level studies

Firm and plant level studies elaborate on how globalization influences employment, job turnover, wages, and working conditions. Increasing import competition changed the employment relationship in US firms: wages became more flexible and employers decreased wages when competition and unemployment was high (Bertrand 2004). Domestic and international competition did not influence deunionization in US firms (Magnani and Prentice 2003).

For a panel of advanced European countries, the results by Neureiter and Nunnenkamp (2010) show that, first, globalization induced job losses but the job losses are typically compensated at least partly by the creation of new jobs, and second, that high-skill jobs may be as easily offshored as low skilled jobs. In Chile, trade liberalization influenced job turnover depending on firm size and industry (Levinsohn 1999). Trade liberalization, however, hardly influenced intersectoral labor shifts in a group of 25 countries (Wacziarg and Wallack 2004).

Previous research has examined whether wages of less-skilled workers have fallen relative to wages of more-skilled workers in the course of globalization. Evidence is mixed. Feenstra and Hanson (1996) use data for US manufacturing and find that outsourcing has increased wage inequality over the period 1979-1990. By contrast, over the period 1972-1979, an increase in outsourcing was not associated with an increase in the relative demand for skilled labor. In the Danish textile and clothing industry, outsourcing also did not give rise to unemployment (Olsen et al. 2004). In Mexico, rising wage inequality was associated with foreign capital inflows. The results by Feenstra and Hanson (1997) show that in regions where FDI has concentrated, growth in FDI can account for over 50 percent of the increase in the skilled labor wage share that occurred in the late 1980s. In the 1990s, Mexican regions more exposed to trade-openness have exhibited an increase in overall wage levels, but a decrease in the skill premium, relative to other regions of the country (Chiquiar 2008). Another concern in the course of globalization is that foreign-owned firms pay lower wages. Empirical

evidence shows, however, that multinationals pay higher wages (e.g., Almeida 2007). For an encompassing survey on the empirical literature on globalization-induced labor market effects see Brown (2009). In summary, evidence depends on the country, the aspect of labor market performance and institutions, and the aspect of globalization investigated.

2.3 Studies using macro data

Previous empirical research using macro data has shown that globalization hardly influenced labor market deregulation in OECD countries. The results by Potrafke (2010) show that globalization did neither influence the unemployment replacement rate, the unemployment benefit length, public expenditures on active labor market policies, the tax wedge, union density, nor overall employment protection. In contrast, protection of regular employment contracts was reduced when globalization was proceeding rapidly. The findings by Potrafke (2010) are based on panel data in growth rates to avoid spurious regression deriving from non-stationary dependent variables: Potrafke (2010) employs the annual data set on labor market institutions by Bassanini and Duval (2006) and the KOF index of globalization by Dreher (2006a) and Dreher et al. (2008a) for 20 OECD countries in the 1982-2003 period. Taking growth rates of the labor market institution indicators eliminates cross-sectional variation in levels. Because labor market institutions vary a great deal across countries, it is, however, a worthwhile endeavor to exploit this variation across countries. Algan and Cahuc (2006) use the employment protection index by Nickell et al. (2001) and find that trade openness even had a positive influence on employment protection over the period 1970-1999. Fischer and Somogyi (2009) use the OECD employment protection indices and find that globalization has mitigated the protection of the regularly employed, but increased protection of the temporarily employed over the period 1985-2003. Trade openness had a positive influence on unemployment benefits over the period 1961-2007 (Felbermayr et al. 2012). Trade openness, foreign direct investment, portfolio investment, and net migration hardly

influenced spending on labor market programs over the period 1980-1999 (Gaston and Rajaguru 2008).[9] The samples by Potrafke (2010), Algan and Cahuc (2006), Fischer and Somogyi (2009), Felbermayr et al. (2012), and Gaston and Rajaguru (2008) are limited to OECD countries.

Using a cross-sectional dataset, Dreher and Gaston (2007) examine whether globalization has influenced deunionization and find that only social globalization induced deunionization, while economic and political globalization and globalization in general did not. Using data for 90 countries over the period 1985-2002, Mosley and Uno (2007) show that foreign direct investment was positively and trade openness negatively associated with labor rights. Busse (2004) uses the Freedom House data on labor standards for 71 countries over the period 1970-2000 and finds that trade openness had a positive influence on labor standards. By using the new data on labor rights by Mosley (2011) over the period 1985-2002, Vadlamannati (2012a) shows that social globalization improved labor rights in developing countries. Häberli et al. (2012) use panel data for up to 90 developed and developing countries over the period 1980-2005 and find that regional trade liberalization reduced employment protection and unemployment benefits.

To arrive at more general insights into how globalization influences labor market deregulation requires larger datasets with more countries and encompassing indicators describing globalization and labor market institutions.

The hypothesis to be investigated is:

Globalization induces labor market deregulation.

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[9] Agell (2002) provides some cross-sectional evidence showing that openness had a positive influence on labor market regulation in OECD countries.

3. Data and empirical strategy

3.1 Labor market institutions

Labor market institutions are quite difficult to measure. For example, Bassanini and Duval (2006), Blanchard and Wolfers (2000), and Nickell (1997) distinguish between eight labor market institutions: three measures of different dimensions of the unemployment insurance system (the replacement rate, benefit length, and a measure of active labor policy), one measure of employment protection, the tax wedge, three measure aspects of collective bargaining (union contract coverage, union density and union-employer coordination of bargaining). Bassanini and Duval (2006) provide data for these eight indicators for OECD countries over the period 1982-2003. Botero et al. (2004) introduce indicators capturing different aspects of labor market regulation. The measure deals with three broad areas: employment laws, collective relation laws and social security laws. The data covers a cross-section for 85 countries. The advantage of the overall labor market freedom indicator of the Fraser Institute (Gwartney et al. 2012) consists in combining several aspects of labor market deregulation. Because politicians (de)regulate labor markets by implementing substitutable policies, combining substitutable policy measures in one indicator is suitable. The Fraser Institute also provides sub indicators on individual labor market institutions such as employment protection or minimum wage legislation. In any event, all the indicators on labor market institutions reveal that labor markets are more deregulated in Anglo-Saxon countries and are more regulated in Scandinavian countries such as Finland and Norway (note that Denmark has much more deregulated labor markets as compared to the other Scandinavian countries).

To measure labor market institutions, I use the index on labor market regulations of the Economic Freedom of the World (EFW) index by the Fraser Institute (Gwartney et al. 2012). The index on labor market regulations by Gwartney et al. (2012) consists of six sub

indicators that measure the influence of hiring regulations and minimum wages, hiring and firing regulations, centralized collective bargaining, hours regulation, mandated cost of worker dismissal and conscription.

These types of labor market regulations infringe on the economic freedom of employees and employers. The index of labor market regulation is designed to measure the extent to which these infringements are present. The indicators are normalized to range from 0 to 10, with higher scores representing higher economic freedom and less regulation. The aggregate index is calculated as the arithmetic mean of the ratings of its six sub indicators. The indicators by Gwartney et al. (2012) are mostly de facto; for example based on data by the World Bank's Doing Business and Global Competitiveness Report questions. A detailed description of the indicators is available in the working paper version.

The data set by Gwartney et al. (2012) is an unbalanced panel. For the year 2010, the overall labor market freedom indicator is available for 144 countries. A list of the countries included is available in the working paper version. Data are initially available in five year intervals for the years 1970, 1975, 1980, 1985, 1990, 1995 and 2000. Annual data are available for the period 2001-2010. For the year 1970, the overall labor market freedom indicator is available for 20 countries, for the years 1975, 1980 and 1985 for 21 countries, for 1990 for 45 countries, for 1995 for 52 countries and for 2000 for 74 countries. There is also lack of data for the sub indicators.

The data reveal that labor markets became less regulated over time. The average value of the overall labor market freedom indicator was 4.49 in 1970, 4.77 in 1980, 5.01 in 1990, 5.16 in 2000 and 6.47 in 2010. Labor market regulation varies across countries. In 2010, overall labor market regulation (labor market freedom) was low (high) in countries such as the United States (9.06), Bahamas (9.17) or Hong Kong (9.28). In contrast, the labor market was strongly regulated in countries such as Mozambique (2.76), Niger (3.30) or Venezuela (3.61). Across continents, labor market deregulation was most pronounced in Oceania (8.51),

and quite equal across other continents: Europe (6.54), America (6.35), Asia (6.73), and Africa (6.06).

3.2 The KOF index of globalization

I use the KOF index of globalization. Globalization is a multi-faceted concept that cannot be entirely captured by an individual economic indicator such as international trade (as a share of GDP), foreign direct investment or capital account restrictions. The KOF index (Dreher 2006a and Dreher et al. 2008a) represents an attempt to measure globalization in the broad sense that has been accepted in the recent empirical literature.[10] The 2012 version of the index covers 208 countries and is available annually over the period 1970-2009. The index includes 24 variables and portrays the economic, social and political dimension of globalization. Each of these three dimensions has further sub categories. For example, economic globalization is described by actual flows and stocks (trade, foreign direct investment, portfolio investment and income payments to foreign nationals, each measured as a percentage of GDP) and restrictions (hidden import barriers, mean tariff rate, taxes on international trade and capital account restrictions). Social globalization covers, among others, items such as international tourism, the number of internet hosts and users, as well as the number of McDonald's restaurants and the number of IKEA shops (per capita). Political globalization is measured by the number of foreign embassies, membership in international organizations and the participation in U.N. Security Council missions (see Dreher et al. 2008a: 43 ff. for further details). In this study, I use the 2012 KOF index of globalization which measures globalization on a scale of 1 to 100, where higher values represent higher levels of globalization.

The data reveal that globalization was proceeding rapidly over time. The average value of the overall globalization index was 37.77 in 1970, 41.86 in 1980, 44.41 in 1990, 56.23 in

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[10] A list showing studies using this index is available at: http://globalization.kof.ethz.ch/papers/.

2000 and 61.67 in 2009. In the year 2009, globalization was high in countries such as Belgium (92.76), Ireland (90.86) or Austria (90.55). In contrast, globalization was low in countries such as Burundi (34.93), Central African Republic (35.94) or Haiti (36.55). Across continents, overall globalization was most pronounced in Europe (78.46) and less pronounced in Africa (48.15).

3.3 Correlation between labor market institutions and globalization

I relate the labor market institution indicators averaged over the period 2006-2010 to the KOF globalization indices averaged over the period 1970-2009. Figure 1 shows that the overall KOF globalization index is somewhat positively associated with overall labor market deregulation. The correlation coefficient is 0.22. Globalization and labor market deregulation are positively associated in countries such as Canada (8.37 and 81.50), Denmark (7.46 and 80.91) or Switzerland (8.06 and 79.98). In a similar vein, both globalization and labor market deregulation were low in countries such as Iran (4.47 and 30.67), Niger (3.04 and 28.42) or Zimbabwe (5.20 and 40.90). On the other hand, many countries such as Norway (4.83 and 76.34), Finland (5.26 and 71.34), Germany (4.48 and 68.97), Burundi (7.69 and 22.01) or Uganda (7.89 and 28.21) reveal a negative association between globalization and labor market deregulation. Globalization is somewhat negatively correlated with the sub indicators on hiring and firing regulations, centralized collective bargaining and hours regulation ($r = -0.16$, $r = -0.20$, $r = -0.08$). The overall KOF index of globalization is somewhat positively correlated with the labor market deregulation sub indicators on hiring regulations and minimum wages, mandated cost of worker dismissal, and on conscription ($r = 0.22$, $r = 0.32$, $r = 0.21$). The correlations do, however, not take into account other covariates, which I consider in the econometric models.

4. Panel data analysis

4.1 Empirical model

The baseline panel data model has the following form:

Labor market deregulation indicator$_{ijt}$ =

α_{js} *Globalization*$_{ist}$ + Σ_k ζ_{jk} x_{ikt} + δ_j *Labor market deregulation indicator$_{ijt-1}$* + η_i + ε_t + u_{ijt}

with $i = 1,\ldots, 49$; $j=1,\ldots,7$; $k=1,2$; $s=1,\ldots,4$; $t=1,\ldots,9$ (1)

where the dependent variable "*Labor market deregulation indicator$_{ijt}$*" denotes the seven respective labor market deregulation indicators for country i in period t. "*Globalization$_{ist}$*" denotes the sth dimension of the KOF globalization index for country i in period t (overall, economic, social, and political dimension). The vector x_i contains economic control variables. I include the logarithm of total population and government expenditures (as a share of GDP).[11] η_i is a fixed state effect, ε_t is a fixed period effect and u_{ijt} describes an error term.

I estimate the model by using the system GMM estimator as developed by Arellano and Bover (1995) and Blundell and Bond (1998) and employ the two-step estimator implemented by David Roodman in Stata, including Windmeijer's (2005) finite sample correction. I collapse the instruments as suggested by Roodman (2006, 2009). I first estimate the model by treating globalization as exogenous. I then deal with the issue of reverse causality: it is conceivable that labor market institutions influence globalization. For example, firms may invest more in countries with quite deregulated labor markets (see, i.e., Azémar and Desbordes 2010, Kucera 2002, Vadlamannati 2012a, Olney 2012, Davies and Vadlamannati 2013). I therefore treat globalization as endogenous in alternative specifications of my GMM model.

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[11] In the cross-sectional model (section 5), I include the democracy-dictatorship variable by Cheibub et al. (2010). I do not include the democracy-dictatorship variable in the panel data model, because it is not available for the full panel data sample.

There are two options to use the unbalanced panel data set by Gwartney et al. (2012) for estimating a dynamic panel data model. First, one can estimate a model using data every fifth year (1970, 1975, 1980, 1985, 1990, 1995, 2000, 2005 and 2009).[12] Because the system GMM estimator uses lagged values as instrumental variables, I can correctly specify this model by including countries for which data are available since 1995 and earlier (at least four periods per country). This model includes 49 countries (mostly industrialized countries). Second, one can estimate a dynamic panel model using annual data for the period 2000-2009. This model includes 137 countries. To be sure, this panel data model with annual data in levels may suffer from spurious regression because the labor market freedom indicators are not stationary in levels. I estimate both variants of a dynamic panel data model.

4.2 Results

Table 1 shows the results for the model using data every fifth year. The null hypothesis of the Hansen test of the joint validity of the instruments cannot be rejected at conventional levels in columns (2) to (5).[13] The null hypotheses of the Arellano-Bond test of no second order autocorrelation (which must be absent from the data in order for the estimator to be consistent) cannot be rejected.

The lagged dependent variable has a positive sign and is statistically significant at the 1% level in columns (1) to (5) indicating that labor market institutions are persistent. The population and variable does not turn out to be statistically significant. The government expenditures variable has a positive sign and is statistically significant at the 5% in column (1) and at the 10% level in column (3). Most importantly, neither of the globalization variables is statistically significant.

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[12] The KOF globalization index is not yet available for the year 2010. The most recent data is for 2009.
[13] I treat population as exogenous and government expenditures as endogenous in this model. When I treat government expenditures also as exogenous, the Hansen test of the joint validity of the instruments can be rejected at the 5% or 10% level. The globalization indices also do not turn out to be statistically significant in the model when government expenditures are treated as exogenous.

I have replaced the overall labor market freedom indicator by the sub indicators. Globalization did not influence the sub indicators on hiring and firing regulations, and conscription. By contrast, globalization had a negative influence on the sub indicator on hours regulations and centralized collective bargaining indicating that hours regulation and centralized collective bargaining became stronger in the course of globalization. When I use the hours regulation sub indicator as dependent variable, the coefficient of the overall and economic KOF globalization index is statistically significant at the 1% level, the coefficient of the KOF index of social and political globalization is statistically significant at the 5% level. The numerical meaning of the effects is that when the KOF globalization indices increase by one standard deviation (about 12 points on a scale from 1 to 100) the hours regulation sub indicator decreases by about 0.15 standard deviations (0.33 points on a scale from 0 to 10). When I use the centralized collective bargaining sub indicator as dependent variable, the coefficient of the overall KOF globalization index is statistically significant at the 5% level, the coefficient of the KOF index of economic globalization is statistically significant at the 10% level. The coefficients of the KOF indices of social and political globalization lack statistical significance. The numerical meaning of the effects is that when the KOF globalization indices increase by one standard deviation (about 15 points on a scale from 1 to 100) the hours regulation sub indicator decreases by about 0.30 standard deviations (0.44 points on a scale from 0 to 10). The coefficients of the overall, economic and social globalization indices display a positive influence on the sub indicator on hiring regulations and minimum wages. The diagnostic statistics indicate, however, that the models using the sub indicator on hiring regulations and minimum wages are not well-specified. There are too few observations of the sub indicator on mandated cost of worker dismissal to correctly specify the model.

The dynamic panel model using annual data for the period 2000-2009 is not well-specified when I employ the two-step GMM estimator including Windmeijer's (2005) finite

sample correction and collapse the instruments as suggested by Roodman (2006, 2009). When I use the overall labor market freedom indicator as dependent variable, the null hypotheses of the Arellano-Bond test of no second order autocorrelation can be rejected at the 5% level. When I adjust the model by excluding/including and treating population and government expenditures as endogenous/exogenous the specification tests do not perform better. The null hypotheses of the Arellano-Bond test of no second order autocorrelation and/or the null hypothesis of the Hansen test of the joint validity of the instruments can be rejected at conventional levels (results are available in the working paper version). The misspecification notwithstanding, these models do not indicate that the globalization indices influenced labor market freedom.

5. Cross-sectional analysis

5.1 Empirical model

The baseline cross-sectional model has the following form:

Labor market deregulation indicator$_{ij}$ =

$\quad$ α$_{js}$ *Globalization$_{is}$* + $Σ_k$ ζ$_{jk}$ *x$_{ik}$* + $Σ_l$ γ$_{jl}$ *Legal Origin$_{il}$* + *u$_{ij}$*

with $i = 1,\ldots, 139; j=1,\ldots,7; k=1,2; l=1,\ldots,4; s=1,\ldots,4$ $\hspace{2cm}$ (2)

where the dependent variable "*Labor market deregulation indicator$_{ij}$*" denotes the seven respective labor market deregulation indicators averaged over the period 2006-2010. "*Globalization$_{is}$*" denotes the sth dimension of the KOF globalization index averaged over the period 1970-2009 (overall, economic, social, and political dimension). The vector *x$_i$* contains economic control variables. I include the logarithm of total population and the democracy-

dictatorship variable by Cheibub et al. (2010) averaged over the period 1970-2009.[14] *Legal*

Origin$_{il}$ are legal origin dummy variables (La Porta et al. 1999), which have been shown to

influence labor market regulation (Botero et al. 2004). I distinguish between five different

legal origins: British (reference category), French, German, Socialist and Scandinavian.[15]

Table A1 lists all the variables included.[16] I first estimate the base-line model with ordinary

least squares (OLS) and robust standard errors (robust and classical standard errors do not

significantly differ in my models – see King and Roberts 2012). I then deal with the issue of

reverse causality: my instrument is the constructed trade share as proposed by Frankel and

Romer (1999) and based on data by Felbermayr et al. (2010). The instrument is constructed

by estimating a modified gravity equation: I have regressed bilateral trade openness (sum of

imports and exports as a share of GDP) on many variables which are exogenous to a country

i's labor market institutions such as bilateral geographical variables and population.[17] I have

used Poisson Pseudo Maximum Likelihood (PPML) with robust standard errors to estimate

the gravity model. I have then constructed a proxy for multilateral openness based on

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[14] On political institutions and labor market regulation see Kim and Gandhi (2010).

[15] One may also want to control for government ideology because leftwing governments are expected to regulate labor markets more than rightwing governments. In a cross-sectional dataset, an average of government ideology over the last 5, 10 or 20 years should be included in order to capture whether societies are more leftwing or rightwing (e.g., Bjørnskov 2008). Reliable data on government ideology for all the countries included are not available, however. Government ideology is especially hard to code for African countries. In any event, the inferences regarding globalization are not likely to be influenced by the inclusion of government ideology. Empirical studies do not suggest that government ideology significantly influenced labor market deregulation in OECD countries (Hefeker and Neugart 2010, Potrafke 2010). Vadlamannati (2012b) shows that leftwing governments did not improve labor rights in Latin America.

[16] I do not include government expenditures in the baseline model to avoid potential endogeneity concerns. Including government expenditures does however not change the inferences regarding the globalization variables.

[17] I thank Gabriel Felbermayr and Jasmin Gröschl for providing their data and codes to compute the constructed trade share. In the modified gravity model I have regressed bilateral trade openness (sum of imports and exports as a share of GDP) on the log of geographical distance between importer and exporter (in km), log of importer country population, log of exporter country population, log of importer country geographical size (in sqkm), log of exporter country geographical size (in sqkm), importer relative land boundaries, calculated as landborder over total border (landborder/(landborder + coast) of importer country (in km), exporter relative land boundaries, calculated as landborder over total border (landborder/(landborder + coast) of exporter (in km), adjacency of importer and exporter (dummy, one if they share a common border, zero otherwise), interaction term of adjacency and log of geographical distance, interaction term of adjacency and log of importer country population, interaction term of adjacency and log of exporter country population, interaction term of adjacency and log of importer country geographical size, interaction term of adjacency and log of exporter country geographical size. See Felbermayr et al. (2010) and Felbermayr and Gröschl (2013) for more details on using the constructed trade share as instrumental variable.

predicted bilateral openness for an individual country i in year t. I use the average of the constructed trade share over the period 1970-2008.[18] Trade openness has given rise to widening and deepening globalization. Many scholars use the constructed trade share as proposed by Frankel and Romer (1999) as an instrumental variable for trade openness in empirical studies (see, e.g., Felbermayr and Gröschl 2013).

5.2 Results

Table 2 shows the baseline regression results. The control variables mostly display the expected signs and are statistically significant in several cases. Population size is statistically significant at the 1% level in columns (1) and (2), at the 10% level in column (3), and at the 5% level in column (4) and has a negative sign. The estimates indicate that overall labor market freedom is in a given country by 0.18 points higher than in an otherwise similar country if it has a 1% smaller population. The democracy variable does not turn out to be statistically significant. The coefficients of the French legal origin variable are statistically significant at the 1% level and indicate that labor market freedom is lower in countries with a French legal origin as compared to countries with a British legal origin. The Scandinavian and Socialist legal origin variable is statistically significant at the 1%, 5% and 10% level and indicate that labor market freedom is lower in countries with a Scandinavian and Socialist legal origin as compared to countries with a British legal origin. The German legal origin variable does not turn out to be statistically significant. The relative importance of the legal origin variables corresponds with the results by Botero et al. (2004).

The results reported in Table 2 show that globalization induced labor market deregulation when I estimate the model by OLS. The coefficient of the overall globalization variable is statistically significant at the 1% level in column (1). By using the constructed trade share as instrumental variable and estimating the model by 2SLS, the results do not

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[18] Data for 2009 are not yet available in the dataset by Felbermayr and Gröschl.

show that globalization influenced labor market deregulation. The coefficients of the instrumented overall, economic, social and political KOF index of globalization do not turn out to be statistically significant in columns (2) to (5). In column (2), the F-test on the excluded instrument can be rejected at the 1% level and the F-statistic is above the Stock and Yogo (2005) 10% critical value. The partial R-squared indicates that the constructed trade share explains quite some variation of the globalization variables at the first stage regressions. The constructed trade share is, however, not a valid instrument for political globalization.

I have replaced the overall labor market freedom indicator by the six sub indicators. The results do not show that globalization influenced five of the six labor market sub indicators when I use the 2SLS-approach (Table 3). The globalization variable has a positive sign and is statistically significant at the 10% level in column (6), when the conscription sub indicator is used. When I estimate the model by OLS, globalization turns out to have a positive influence on the hiring regulations and minimum wages and mandated cost of worker dismissal sub indicator.

5.3 Robustness checks

I have checked the robustness of the results in several ways. I have used relative land boundaries calculated as landborder/(landborder + coast) as alternative instrumental variable. In the first stage regressions, the relative land boundaries variable has the expected negative sign and is statistically significant. The F-tests on the excluded instrument can be rejected at conventional levels in most specifications but the F-statistics are below the Stock and Yogo (2005) 20% critical value in many specifications. The globalization variables mostly lack statistical significance in the 2SLS regressions.

The reported effects could also be driven or mitigated by idiosyncratic circumstances in individual countries. I have therefore tested whether the results are sensitive to the

inclusion/exclusion of particular countries. The results (not reported here) indicate that this is not the case.

It is conceivable that social trust influences labor market institutions (Aghion et al. 2010 and Algan and Cahuc 2009). To investigate whether my results are sensitive to including/excluding trust I have used the most recent data on trust compiled by Bjørnskov and Méon (2013). I refer to including/excluding trust in the robustness tests section because data on trust are not available for my complete sample (maximum of 107 countries when I use the index by Gwartney et al. 2012). Trust does not turn out to be statistically significant and including/excluding trust does not change the inferences regarding the globalization variables.

I have replaced the labor market freedom indicators as measured over the period 2006-2010 by the average over the periods 1970-2010, 1980-2010, 1990-2019, 2000-2010, and the year 2010. The globalization variables also lack statistical significance in the OLS regressions in many specifications when I use averages since 1990 and earlier. Inferences regarding the globalization variables do not change otherwise.

I have also used the indices by Botero et al. (2004) to measure labor market regulation. The indices are available for 85 countries and describe the regulation of labor through employment, collective relations and social security laws. "Employment laws govern the individual employment contract. Collective or industrial relations laws regulate the bargaining, adoption and enforcement of collective agreements, the organization of trade unions, and the industrial action by workers and employers. Social security laws govern the social response to needs and conditions that have a significant impact on the quality of life, such as old age, disability, death, sickness, and unemployment" Botero et al (2004: 1339f.). The collected data refer to the year 1997.[19] The indices consist of several sub indicators that

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[19] I have redone the analysis as described in Section 5.2. I have followed Botero et al. (2004) and regressed the labor market regulation indices as measured in the year 1997 on the explanatory variables as measured by the average over the period 1975-1995. When using the labor market regulation indicators by Botero et al. (2004), I have included the government ideology variable by Botero et al. (2004) because it has been shown to influence labor market regulation in this sample.

are aggregated and normalized. The indices take on values between 0 (minimum of regulation) and 1 (maximum of regulation). The data reveal that labor markets in 1997 have been strongly regulated in countries such as Norway, Portugal, Sweden and Russia and strongly deregulated in countries such as Jamaica, Malawi, Malaysia, and the United Kingdom (social security laws have been strongly regulated in the United Kingdom however).[20]

The results show that the constructed trade share is only a valid instrument for social globalization: the F-test on the excluded instrument can be rejected at the 1% level and the F-statistic is above the Stock and Yogo (2005) 20% critical value. The coefficient of KOF index of social globalization variable has a positive sign and is statistically significant at the 1% level in the 2SLS regressions when the employment laws index is used. The numerical meaning of the coefficient is that when the KOF index of social globalization increases by one standard deviation (about 21 points on a scale from 1 to 100) the employment laws indicator increases by about one standard deviation. The constructed trade share is not a valid instrument for overall, economic and political globalization.

By using the collective relation laws and social security laws index, the globalization indices do not turn out to be statistically significant when the 2SLS-estimator is used.

6. Conclusion

A widespread concern is that globalization negatively influences labor market performance and erodes labor market institutions. The first issue has been investigated in a large number of studies. My study deals with the second issue. Globalization and labor market institutions vary a great deal across countries. My study has explicitly focused on the cross-country

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[20] The indicators by Botero et al. (2004) and by Gwartney et al. (2012) measure different aspects of regulation. Because the indicators by Botero et al. (2004) are based on law-making, this index is a de jure index. The correlation coefficients between the overall labor market freedom (in the year 2010) and the employment laws index is $r = -0.33$, the collective relations laws index $r = -0.35$ and the social security laws index $r = -0.02$.

variation. Employing the data on labor market freedom by the Fraser Institute (Gwartney et al. 2012) for about 140 countries, my results do not show that globalization induces labor market deregulation. To be sure, individual aspects of globalization may well influence labor market institutions and, in turn, employment and wages and globalization-induced effects may well differ across regions. There is, however, no reason to believe that working conditions of unskilled workers deteriorate. Scandinavian countries such as Norway and Sweden and countries in continental Europe are prime examples that rapidly proceeding globalization does not erode labor market institutions.

Globalization may induce governments to not deregulate but, in contrast, to stronger regulate labor markets. Rodrik (1998) argued that global economic integration gives rise to a higher external risk which has to be compensated by higher government spending working as a social insurance device (via the demand side or compensation effect). Compensating effects are also likely by labor market regulation. In fact, Vadlamannati (2012a) shows that social globalization improved labor rights in developing countries.

In contrast to capital market deregulation, the consequences of labor market deregulation materialize more slowly. Capital is more mobile than labor. Governments that want to provide advantages to national and foreign investors therefore are more likely to deregulate capital markets instead of labor markets. Immediate returns of implemented policies are very important in the political process because politicians want to become re-elected. Time horizons of politicians are short. How globalization influences capital market deregulation is thus a worthwhile endeavor for future research.

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Figure 1. Relation between overall labor market freedom (average over the period 2006-2010) and the overall KOF index of globalization (average over the period 1970-2009).
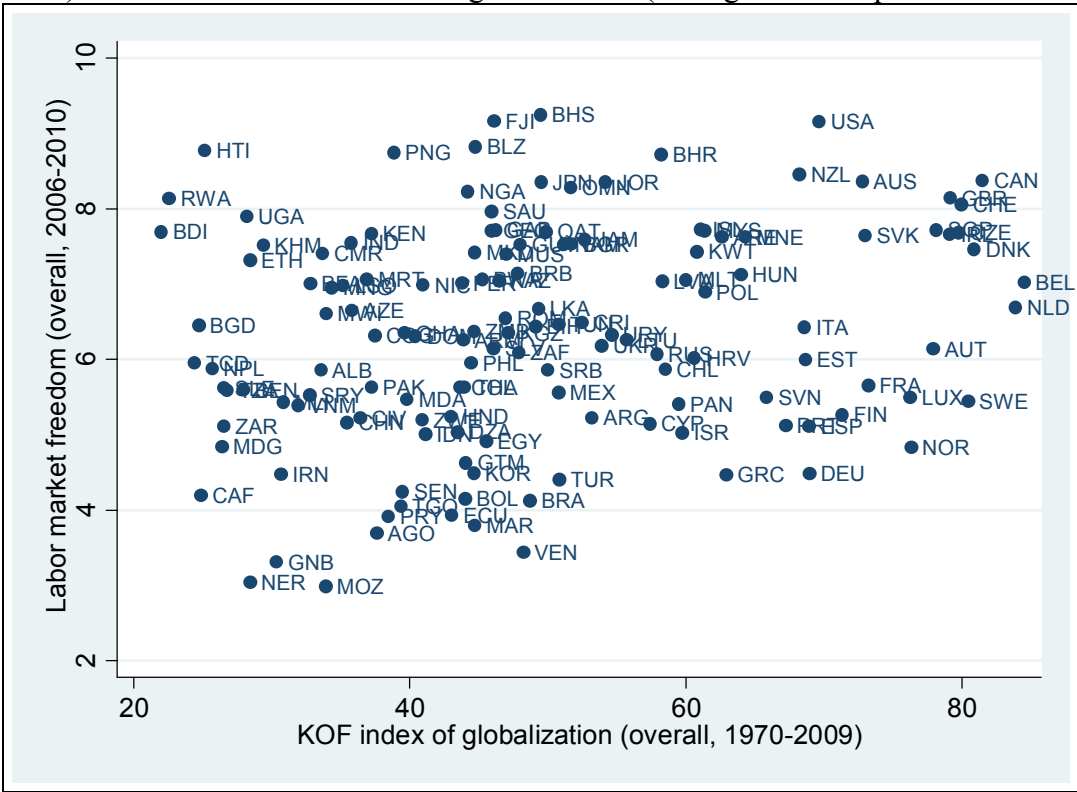
Correlation coefficient: 0.22. Source: Gwartney et al. (2012), Dreher (2006a) and Dreher et al. (2008a)

Table 1: Regression Results.
Dependent variable: Labor market freedom indicator (overall).
GMM, robust two step standard errors. Instruments collapsed as suggested by Roodman (2006, 2009).

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.0201	0.00605			
	(1.23)	(0.37)			
KOF index of globalization (economic)			0.00228		
			(0.13)		
KOF index of globalization (social)				-0.0006	
				(-0.01)	
KOF index of globalization (political)					0.0164
					(0.96)
log Population	0.0757	0.0101	-0.0433	-0.0128	-0.0217
	(0.45)	(0.07)	(-0.24)	(-0.09)	(-0.19)
Government Expenditures	0.170**	0.104	0.143*	0.104	0.126
	(2.45)	(1.37)	(1.70)	(1.31)	(1.42)
Lagged dependent variable	0.609***	0.668***	0.660***	0.680***	0.603***
	(5.46)	(5.98)	(5.90)	(6.01)	(5.09)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	272	272	272	272	272
Number of countries	49	49	49	49	49
Number of instruments	27	35	35	35	35
AR(1) test, p-value	0.0011	0.0005	0.0007	0.0007	0.0020
AR(2) test, p-value	0.163	0.122	0.159	0.140	0.208
Hansen test, p-value	0.0607	0.161	0.125	0.134	0.127

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table 2: Regression Results.
Dependent variable: Labor market freedom indicator (overall, average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices instrumented by a constructed trade share.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0211***	0.0197			
	(2.71)	(1.01)			
KOF index of globalization (economic, 1970-2009)			0.0143		
			(0.78)		
KOF index of globalization (social, 1970-2009)				0.0149	
				(1.05)	
KOF index of globalization (political, 1970-2009)					0.0423
					(0.94)
log Population (1970-2009)	-0.199***	-0.204***	-0.157*	-0.174**	-0.473
	(-2.99)	(-3.07)	(-1.85)	(-2.36)	(-1.63)
Democracy (1970-2008)	-0.371	-0.388	-0.178	-0.360	-0.795
	(-1.33)	(-0.94)	(-0.49)	(-0.94)	(-0.96)
Legal Origin (French)	-1.462***	-1.509***	-1.497***	-1.485***	-1.690***
	(-5.78)	(-5.93)	(-5.62)	(-5.84)	(-5.35)
Legal Origin (Socialist)	-0.691***	-0.684***	-0.673***	-0.731***	-0.445
	(-2.89)	(-2.80)	(-2.68)	(-2.91)	(-1.22)
Legal Origin (German)	-0.847	-0.852	-0.776	-0.906	-0.857
	(-1.04)	(-1.05)	(-0.96)	(-1.11)	(-1.06)
Legal Origin (Scandinavian)	-1.635***	-1.638***	-1.451**	-1.568***	-2.365*
	(-2.82)	(-2.59)	(-2.50)	(-2.68)	(-1.90)
Constant	8.173***	8.341***	8.021***	8.405***	9.560***
	(11.09)	(7.82)	(5.50)	(8.36)	(11.79)
Observations	139	133	131	133	133
R-squared	0.301	0.296	0.270	0.312	0.214
First Stage					
Constructed trade share (1970-2008)		0.318***	0.3459***	0.4201***	0.1482**
		(5.56)	(5.81)	(4.90)	(2.52)
Partial R-squared		0.1937	0.1716	0.2257	0.0419
F-test on excl. instrument		30.95	33.70	24.02	6.34
F-test, p-value		0.0000	0.0000	0.0000	0.013

t statistics in parentheses
$p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38

Table 3: Regression Results.
Dependent variable: Labor market freedom indicator (overall, average over the period 2006-2010).
2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
Overall KOF Index instrumented by a constructed trade share.

	(1)	(2)	(3)	(4)	(5)	(6)
	2SLS	2SLS	2SLS	2SLS	2SLS	2SLS
	Hiring regulations and minimum wages	Hiring and firing regulations	Centra-lized collective bargaining	Hours regulation	Mandated cost of worker dismissal	Conscrip-tion
KOF index of globalization (overall, 1970-2009)	0.0277	-0.0119	-0.00837	-0.0111	0.0286	0.0976[*]
	(0.67)	(-0.81)	(-0.40)	(-0.39)	(0.72)	(1.93)
log Population (1970-2009)	-0.134	-0.122[*]	-0.133[**]	0.00573	-0.364[**]	-0.385[**]
	(-0.95)	(-1.94)	(-2.07)	(0.08)	(-2.33)	(-2.06)
Democracy (1970-2008)	-1.005	-0.802[**]	-0.443	-0.222	-0.0227	0.0818
	(-1.05)	(-2.28)	(-0.99)	(-0.41)	(-0.02)	(0.07)
Legal Origin (French)	-2.552[***]	-1.035[***]	-0.531[*]	-2.291[***]	0.367	-2.336[***]
	(-4.95)	(-3.88)	(-1.75)	(-7.04)	(0.54)	(-2.98)
Legal Origin (Socialist)	-1.591[***]	0.0205	0.641[**]	-1.781[***]	2.428[***]	-3.425[***]
	(-2.92)	(0.07)	(2.33)	(-5.05)	(3.94)	(-3.68)
Legal Origin (German)	0.582	-0.202	-0.464	-1.299[*]	1.693	-5.177[***]
	(0.68)	(-0.25)	(-0.43)	(-1.94)	(1.11)	(-2.60)
Legal Origin (Scandinavian)	-2.008[*]	0.446	-1.769[***]	-1.960[***]	2.673[***]	-6.781[***]
	(-1.68)	(0.47)	(-3.32)	(-2.88)	(3.68)	(-4.00)
Constant	8.359[***]	7.426[***]	8.584[***]	9.837[***]	7.276[***]	7.163[***]
	(3.88)	(7.68)	(6.82)	(7.22)	(2.89)	(2.60)
Observations	131	122	122	133	130	133
R-squared	0.239	0.255	0.233	0.298	0.214	0.175

First Stage

	(1)	(2)	(3)	(4)	(5)	(6)
Constructed trade share (1970-2008)	0.3237[***]	0.3054[***]	0.3054[***]	0.318[***]	0.3242[***]	0.318[***]
	(5.43)	(5.17)	(5.17)	(5.56)	(5.37)	(5.56)
Partial R-squared	0.195	0.1818	0.1818	0.1937	0.1933	0.1937
F-test on excl. instrument	29.49	26.71	26.71	30.95	28.80	30.95
F-test, p-value	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

t statistics in parentheses
[*] $p < 0.10$, [**] $p < 0.05$, [***] $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38

Table A1. Descriptive statistics and sources

Variable	Observations	Mean	Std. Dev.	Min	Max	Source
Panel						
Labor market freedom (overall)	1538	5.98	1.54	1.84	9.73	Gwartney et al. (2012)
Labor market freedom (Hiring regulations and minimum wages)	1414	6.21	2.70	0	10	Gwartney et al. (2012)
Labor market freedom (Hiring and firing regulations)	1315	4.69	1.48	1	8.83	Gwartney et al. (2012)
Labor market freedom (Centralized collective bargaining)	1449	6.37	1.50	1.83	9.5	Gwartney et al. (2012)
Labor market freedom (hours regulation)	1490	7.11	2.04	1.9	10	Gwartney et al. (2012)
Labor market freedom (Mandated cost of worker dismissal)	1203	5.95	3.17	0	10	Gwartney et al. (2012)
Labor market freedom (Conscription)	2122	5.72	4.36	0	10	Gwartney et al. (2012)
KOF index of globalization (overall)	5218	48.57	18.12	13.25	92.84	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (economic)	5139	50.02	19.56	9.42	98.88	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (social)	5218	40.62	21.93	5.69	93.25	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (political)	1538	57.92	22.15	4.28	98.56	Dreher (2006a) and Dreher et al. (2008a)
Population	5863	35284.69	121939.9	115.3	1330141	Penn World Tables 7.0 Summers and Heston (1991)
Government expenditures	5396	10.31	7.21	0.64	69.83	Penn World Tables 7.0 Summers and Heston (1991)
Democracy	5053	0.49	0.50	0	1	Cheibub et al. (2010)
Cross sections						
Labor market freedom (overall) 2006-2010	143	6.36	1.44	2.99	9.29	Gwartney et al. (2012)
Labor market freedom (Hiring regulations and minimum wages) 2006-2010	141	6.54	2.71	0	10	Gwartney et al. (2012)
Labor market freedom (Hiring and firing regulations) 2006-2010	132	4.83	1.28	1.92	8.11	Gwartney et al. (2012)
Labor market freedom (Centralized collective bargaining) 2006-2010	132	6.52	1.36	2.49	8.83	Gwartney et al. (2012)
Labor market freedom (hours regulation) 2006-2010	144	7.82	1.76	3.58	10	Gwartney et al. (2012)
Labor market freedom (Mandated cost of worker dismissal) 2006-2010	140	6.10	3.05	0	10	Gwartney et al. (2012)
Labor market freedom (Conscription) 2006-2010	144	6.32	4.21	0	10	Gwartney et al. (2012)
Employment laws	84	0.49	0.19	0.15	0.83	Botero et al. (2004)
Collective relation laws	84	0.45	0.13	0.19	0.71	Botero et al. (2004)
Social security laws	84	0.57	0.23	0	0.87	Botero et al. (2004)
KOF index of globalization (overall) 1970-2009	141	48.96	15.84	22.01	84.54	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization	139	50.59	17.08	15.65	94.98	Dreher (2006a) and

	N	Mean	SD	Min	Max	Source
(economic) 1970-2009						Dreher et al. (2008a)
KOF index of globalization (social) 1970-2009	141	41.38	20.31	8.33	83.73	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (political) 1970-2009	141	57.55	18.54	19.37	96.57	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (overall) 1975-1995	140	43.96	16.00	18.98	82.35	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (economic) 1975-1995	138	45.60	17.40	10.65	94.44	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (social) 1975-1995	140	37.08	19.87	6.83	83.21	Dreher (2006a) and Dreher et al. (2008a)
KOF index of globalization (political) 1975-1995	140	51.51	20.96	8.65	96.26	Dreher (2006a) and Dreher et al. (2008a)
Population 1970-2009	143	35027.56	119604.1	197.91	1114597	Penn World Tables 7.0 Summers and Heston (1991)
Population 1975-1995	143	32637.3	112315.9	170.01	1064914	Penn World Tables 7.0 Summers and Heston (1991)
Government expenditures 1970-2009	143	10.29	6.43	2.99	56.67	Penn World Tables 7.0 Summers and Heston (1991)
Government expenditures 1975-1995	143	10.91	7.56	1.85	63.38	Penn World Tables 7.0 Summers and Heston (1991)
Constructed Trade share 1970-2008	135	66.28	32.99	17.01	204.16	Felbermayr et al. (2010)
Constructed Trade share 1975-1995	133	60.79	31.28	14.01	163.10	Felbermayr et al. (2010)
Relative land boundaries	144	0.60	0.36	0	1	CIA Factbook
Legal Origin (UK)	143	0.29	0.45	0	1	La Porta et al. (1999)
Legal Origin (french)	143	0.44	0.50	0	1	La Porta et al. (1999)
Legal Origin (german)	143	0.04	0.20	0	1	La Porta et al. (1999)
Legal Origin (socialist)	143	0.20	0.40	0	1	La Porta et al. (1999)
Legal Origin (scandinavian)	143	0.03	0.18	0	1	La Porta et al. (1999)
Leftwing government tradition	84	0.57	0.33	0	1	Botero et al. (2004)
Democracy (1970-2008)	143	0.50	0.42	0	1	Cheibub et al. (2010)
Democracy (1975-1995)	141	0.45	0.44	0	1	Cheibub et al. (2010)
Trust	111	25.22	13.06	3.79	68.08	Bjørnskov and Méon (2013)

Additional Tables

Table A1: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hiring regulations and minimum wage sub indicator.
Five-year intervals. 1970-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.0592*** (3.44)	0.248** (2.35)			
KOF index of globalization (economic)			0.123* (1.90)		
KOF index of globalization (social)				0.189** (2.40)	
KOF index of globalization (political)					0.130* (1.78)
log Population	0.0660 (0.46)	0.842* (1.72)	0.570 (1.35)	1.005* (1.72)	-0.248 (-1.57)
Government Expenditures	0.196 (1.37)	0.383* (1.75)	0.161 (1.25)	0.321 (1.46)	0.137 (0.93)
Lagged dependent variable	0.688*** (4.74)	0.159 (0.77)	0.473*** (2.80)	0.0141 (0.06)	0.594*** (2.86)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	147	147	147	147	147
Number of countries	49	49	49	49	49
Number of instruments	17	25	25	25	25
AR(1) test, p-value	0.00112	0.245	0.00762	0.720	0.00450
AR(2) test, p-value	.	.	.	.	.
Hansen test, p-value	0.00883	0.153	0.0760	0.130	0.0248

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A2: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hiring and firing regulations sub indicator.
Five-year intervals. 1970-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.0128 (-1.16)	-0.0199 (-0.51)			
KOF index of globalization (economic)			-0.0340 (-1.02)		
KOF index of globalization (social)				0.0346 (0.80)	
KOF index of globalization (political)					-0.0105 (-0.54)
log Population	-0.107 (-0.65)	-0.207 (-0.89)	-0.291 (-1.09)	0.198 (0.59)	0.0143 (0.09)
Government Expenditures	-0.124* (-1.72)	-0.0858 (-0.97)	-0.103* (-1.79)	-0.0663 (-0.90)	-0.0958 (-1.48)
Lagged dependent variable	0.415*** (2.82)	0.322** (2.30)	0.421*** (2.98)	0.342** (2.02)	0.325** (2.05)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	196	196	196	196	196
Number of countries	49	49	49	49	49
Number of instruments	19	27	27	27	27
AR(1) test, p-value	0.00268	0.00784	0.00494	0.00870	0.0115
AR(2) test, p-value	0.863	0.695	0.760	0.761	0.713
Hansen test, p-value	0.151	0.110	0.314	0.0641	0.0541

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A3: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Centralized collective bargaining sub indicator.
Five-year intervals. 1970-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.00525	-0.0294[**]			
	(-0.84)	(-2.33)			
KOF index of globalization (economic)			-0.0278[*]		
			(-1.89)		
KOF index of globalization (social)				-0.0119	
				(-1.47)	
KOF index of globalization (political)					0.00136
					(0.15)
log Population	-0.0171	-0.102	-0.155	-0.0770	-0.0131
	(-0.28)	(-1.37)	(-1.54)	(-0.66)	(-0.25)
Government Expenditures	0.104	0.0555	0.0717	0.0880	0.0532
	(0.87)	(0.88)	(1.01)	(1.04)	(0.65)
Lagged dependent variable	0.795[***]	0.871[***]	0.819[***]	0.860[***]	0.869[***]
	(7.32)	(10.60)	(7.79)	(10.11)	(8.86)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	322	322	322	322	322
Number of countries	49	49	49	49	49
Number of instruments	27	35	35	35	35
AR(1) test, p-value	0.00129	0.000705	0.00129	0.00107	0.00111
AR(2) test, p-value	0.578	0.522	0.547	0.640	0.566
Hansen test, p-value	0.137	0.373	0.241	0.162	0.145

t statistics in parentheses
[*] $p < 0.10$, [**] $p < 0.05$, [***] $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A4: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hours Regulations sub indicator.
Five-year intervals. 1970-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.0171**	-0.0275***			
	(-2.34)	(-3.07)			
KOF index of globalization (economic)			-0.0280***		
			(-2.69)		
KOF index of globalization (social)				-0.0237**	
				(-2.32)	
KOF index of globalization (political)					-0.0247**
					(-2.10)
log Population	-0.0110	-0.0538	-0.0586	-0.0581	0.0865
	(-0.16)	(-0.64)	(-0.60)	(-0.56)	(1.30)
Government Expenditures	0.0308	-0.00372	0.0119	-0.0272	0.0509
	(0.60)	(-0.05)	(0.22)	(-0.44)	(0.68)
Lagged dependent variable	0.562***	0.557***	0.552***	0.508***	0.569***
	(9.01)	(7.66)	(6.96)	(5.81)	(7.36)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	252	252	252	252	252
Number of countries	49	49	49	49	49
Number of instruments	27	35	35	35	35
AR(1) test, p-value	0.0000117	0.0000148	0.0000183	0.0000568	0.0000166
AR(2) test, p-value	0.181	0.187	0.161	0.203	0.248
Hansen test, p-value	0.986	0.833	0.863	0.243	0.746

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A5: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Conscription sub indicator.
Five-year intervals. 1970-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.0179 (1.01)	0.0500 (1.58)			
KOF index of globalization (economic)			0.0406 (1.50)		
KOF index of globalization (social)				0.0359* (1.94)	
KOF index of globalization (political)					0.0117 (0.44)
log Population	0.0497 (0.29)	0.112 (0.51)	0.100 (0.41)	0.272 (1.27)	-0.119 (-0.85)
Government Expenditures	0.144** (2.03)	0.168** (2.09)	0.142* (1.95)	0.141** (2.03)	0.205*** (3.16)
Lagged dependent variable	0.918*** (10.94)	0.833*** (9.47)	0.892*** (9.12)	0.864*** (9.52)	0.926*** (8.95)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	372	372	372	372	372
Number of countries	49	49	49	49	49
Number of instruments	27	35	35	35	35
AR(1) test, p-value	0.00906	0.00877	0.0105	0.0111	0.00965
AR(2) test, p-value	0.262	0.295	0.271	0.260	0.304
Hansen test, p-value	0.319	0.431	0.456	0.318	0.228

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A6: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Overall labor market freedom sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.00139 (-0.21)	0.00194 (0.35)			
KOF index of globalization (economic)			0.000824 (0.15)		
KOF index of globalization (social)				0.000738 (0.20)	
KOF index of globalization (political)					0.00112 (0.22)
log Population	-0.0445** (-1.99)	-0.0390 (-1.59)	-0.0279 (-1.15)	-0.0472* (-1.87)	-0.0501 (-1.27)
Government Expenditures	-0.0368 (-0.71)	0.0224 (0.93)	0.0154 (0.78)	0.0168 (0.69)	0.0134 (0.76)
Lagged dependent variable	0.863*** (10.56)	0.828*** (9.13)	0.875*** (10.26)	0.803*** (12.40)	0.861*** (11.02)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	1048	1048	1048	1048	1048
Number of countries	137	137	137	137	137
Number of instruments	30	39	39	39	39
AR(1) test, p-value	2.33e-10	7.89e-09	7.12e-09	4.90e-10	2.91e-10
AR(2) test, p-value	0.0131	0.0198	0.0195	0.0195	0.0161
Hansen test, p-value	0.0628	0.0328	0.167	0.0815	0.328

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A7: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hiring regulations and minimum wage sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.00171 (0.39)	-0.00159 (-0.39)			
KOF index of globalization (economic)			0.000676 (0.16)		
KOF index of globalization (social)				0.00138 (0.36)	
KOF index of globalization (political)					0.00208 (0.43)
log Population	0.00557 (0.22)	0.0103 (0.43)	0.00648 (0.24)	0.0218 (0.75)	-0.0120 (-0.38)
Government Expenditures	-0.0326 (-0.99)	-0.00464 (-0.13)	-0.0231 (-0.86)	0.0259 (0.65)	-0.0120 (-0.42)
Lagged dependent variable	0.935*** (36.23)	0.963*** (43.22)	0.953*** (41.31)	0.943*** (35.39)	0.958*** (43.57)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	1058	1058	1058	1058	1058
Number of countries	135	135	135	135	135
Number of instruments	30	39	39	39	39
AR(1) test, p-value	2.01e-14	1.27e-14	1.15e-14	2.65e-14	1.61e-14
AR(2) test, p-value	0.271	0.260	0.259	0.262	0.269
Hansen test, p-value	0.661	0.0821	0.295	0.0526	0.341

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A8: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hiring and firing regulations sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.00104 (-0.14)	-0.0121 (-1.45)			
KOF index of globalization (economic)			-0.00764 (-0.83)		
KOF index of globalization (social)				-0.0143** (-2.34)	
KOF index of globalization (political)					-0.00503 (-0.55)
log Population	-0.0275 (-0.80)	-0.0534 (-1.43)	-0.0753 (-1.34)	-0.0714 (-1.64)	-0.00259 (-0.05)
Government Expenditures	0.0116 (0.20)	0.0782* (1.81)	0.100** (2.30)	0.0411 (0.85)	0.0737* (1.86)
Lagged dependent variable	0.718*** (9.65)	0.627*** (7.99)	0.648*** (7.46)	0.618*** (8.06)	0.686*** (8.55)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	921	921	921	921	921
Number of countries	123	123	123	123	123
Number of instruments	30	39	39	39	39
AR(1) test, p-value	4.92e-08	0.000000205	0.000000465	0.000000155	6.69e-08
AR(2) test, p-value	0.160	0.169	0.173	0.169	0.157
Hansen test, p-value	0.251	0.0900	0.0691	0.117	0.513

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A9: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Centralized collective bargaining sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.0115	-0.0229**			
	(-1.42)	(-2.28)			
KOF index of globalization (economic)			-0.00896		
			(-0.87)		
KOF index of globalization (social)				-0.0249***	
				(-3.15)	
KOF index of globalization (political)					-0.00717
					(-0.68)
log Population	-0.0436	-0.0222	-0.0310	-0.110*	0.0498
	(-0.87)	(-0.55)	(-0.61)	(-1.78)	(0.76)
Government Expenditures	0.00227	0.0317	0.0620	-0.0204	0.0518
	(0.04)	(0.72)	(0.96)	(-0.54)	(0.95)
Lagged dependent variable	0.579***	0.489***	0.639***	0.387***	0.580***
	(2.94)	(3.60)	(3.54)	(2.77)	(3.28)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	921	921	921	921	921
Number of countries	123	123	123	123	123
Number of instruments	30	39	39	39	39
AR(1) test, p-value	0.00193	0.000336	0.000576	0.00181	0.00120
AR(2) test, p-value	0.158	0.199	0.129	0.292	0.162
Hansen test, p-value	0.148	0.221	0.0131	0.326	0.221

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A10: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Hours Regulations sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	-0.0130 (-1.51)	-0.0163* (-1.95)			
KOF index of globalization (economic)			-0.0203** (-2.13)		
KOF index of globalization (social)				-0.0103* (-1.69)	
KOF index of globalization (political)					-0.0136* (-1.95)
log Population	-0.0596 (-1.11)	-0.0729 (-1.45)	-0.136* (-1.94)	-0.0817 (-1.51)	0.0560* (1.75)
Government Expenditures	-0.102* (-1.65)	-0.0947* (-1.89)	-0.0967* (-1.90)	-0.0646 (-1.52)	-0.0545 (-1.59)
Lagged dependent variable	1.058*** (19.37)	1.047*** (17.52)	1.075*** (19.10)	1.060*** (19.42)	0.973*** (24.72)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	1026	1026	1026	1026	1026
Number of countries	135	135	135	135	135
Number of instruments	30	39	39	39	39
AR(1) test, p-value	0.000000349	0.000000807	0.000000470	0.000000557	0.000000581
AR(2) test, p-value	0.658	0.637	0.651	0.777	0.519
Hansen test, p-value	0.00827	0.0214	0.0324	0.0555	0.0335

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A11: Regression Results system GMM, robust two step standard error.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Mandated cost of worker dismissal.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.00804	-0.00421			
	(1.45)	(-0.23)			
KOF index of globalization (economic)			0.00768		
			(0.31)		
KOF index of globalization (social)				0.0134	
				(0.44)	
KOF index of globalization (political)					-0.0114
					(-0.76)
log Population	-0.0859	-0.213	-0.00506	-0.175	-0.332
	(-1.23)	(-1.06)	(-0.05)	(-0.93)	(-0.99)
Government Expenditures	0.00826	-0.00665	0.0209	-0.0120	-0.0476
	(0.33)	(-0.20)	(0.75)	(-0.42)	(-0.91)
Lagged dependent variable	0.853***	0.557*	0.919***	0.623	0.299
	(8.93)	(1.65)	(5.72)	(1.55)	(0.57)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	906	906	906	906	906
Number of countries	134	134	134	134	134
Number of instruments	28	35	35	35	35
AR(1) test, p-value	0.0196	0.0866	0.0194	0.0924	0.260
AR(2) test, p-value	0.231	0.134	0.180	0.291	0.0624
Hansen test, p-value	0.572	0.484	0.115	0.312	0.306

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A12: Regression Results system GMM, robust two step standard errors.
Instruments collapsed as suggested by Roodman (2006, 2009).
Dependent Variable: Conscription sub indicator.
Annual data. 2000-2009.

	(1)	(2)	(3)	(4)	(5)
KOF index of globalization (overall)	0.00801 (0.88)	-0.0168 (-0.95)			
KOF index of globalization (economic)			-0.0157 (-0.75)		
KOF index of globalization (social)				-0.0150 (-0.74)	
KOF index of globalization (political)					-0.0237 (-1.47)
log Population	-0.0637 (-0.97)	-0.0774 (-1.01)	-0.133 (-1.19)	-0.100 (-1.03)	0.0338 (0.39)
Government Expenditures	0.0261 (0.53)	-0.0411 (-0.53)	0.00248 (0.05)	0.0257 (0.43)	-0.0560 (-0.91)
Lagged dependent variable	0.865*** (9.27)	0.924*** (12.84)	0.882*** (9.97)	0.902*** (13.96)	0.869*** (10.08)
Globalization endogenous	No	Yes	Yes	Yes	Yes
Observations	1154	1154	1154	1154	1154
Number of countries	137	137	137	137	137
Number of instruments	30	39	39	39	39
AR(1) test, p-value	0.0117	0.0119	0.0131	0.0118	0.0132
AR(2) test, p-value	0.200	0.206	0.198	0.206	0.213
Hansen test, p-value	0.129	0.208	0.112	0.104	0.589

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
I treat log Population as exogenous and Government Expenditures as endogenous.

Table A13: Regression Results.
Dependent Variable: Hiring regulations and Minimum wages (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0504***	0.0277			
	(3.25)	(0.67)			
KOF index of globalization (economic, 1970-2009)			0.0136		
			(0.35)		
KOF index of globalization (social, 1970-2009)				0.0211	
				(0.69)	
KOF index of globalization (political, 1970-2009)					0.0556
					(0.65)
log Population (1970-2009)	-0.112	-0.134	-0.0671	-0.0938	-0.480
	(-0.79)	(-0.95)	(-0.37)	(-0.59)	(-0.90)
Democracy (1970-2009)	-1.653***	-1.005	-0.546	-0.964	-1.529
	(-2.76)	(-1.05)	(-0.66)	(-1.09)	(-0.88)
Legal Origin (French)	-2.499***	-2.552***	-2.574***	-2.519***	-2.804***
	(-4.91)	(-4.95)	(-4.66)	(-4.80)	(-4.88)
Legal Origin (Socialist)	-1.628***	-1.591***	-1.549***	-1.661***	-1.270*
	(-2.94)	(-2.92)	(-2.81)	(-2.99)	(-1.65)
Legal Origin (German)	0.450	0.582	0.687	0.502	0.594
	(0.56)	(0.68)	(0.81)	(0.55)	(0.77)
Legal Origin (Scandinavian)	-2.252**	-2.008*	-1.684	-1.919*	-2.913
	(-2.27)	(-1.68)	(-1.57)	(-1.70)	(-1.27)
Constant	7.391***	8.359***	8.134***	8.459***	9.972***
	(5.59)	(3.88)	(2.69)	(4.23)	(6.90)
Observations	137	131	129	131	131
R-squared	0.261	0.239	0.212	0.249	0.201
First Stage					
Constructed trade share (1970-2008)		0 .3237***	0.3484***	0.4249***	0.1613**
		(5.43)	(5.71)	(4.68)	(2.72)
Partial R-squared		0.195	0.1692	0.2241	0.0484
F-test on excl. instrument		29.4875	32.6007	21.9316	7.416
F-test, p-value		0.0000	0.0000	0.0000	0.0074

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A14: Regression Results.
Dependent Variable: Hiring and firing regulations (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.0130	-0.0119			
	(-1.48)	(-0.81)			
KOF index of globalization (economic, 1970-2009)			-0.0130		
			(-0.96)		
KOF index of globalization (social, 1970-2009)				-0.00916	
				(-0.80)	
KOF index of globalization (political, 1970-2009)					-0.0245
					(-0.84)
log Population (1970-2009)	-0.0837	-0.122*	-0.157**	-0.139**	0.0408
	(-1.28)	(-1.94)	(-1.97)	(-1.99)	(0.21)
Democracy (1970-2009)	-0.601*	-0.802**	-0.798**	-0.820**	-0.550
	(-1.92)	(-2.28)	(-2.57)	(-2.39)	(-0.93)
Legal Origin (French)	-0.882***	-1.035***	-1.030***	-1.047***	-0.933***
	(-3.38)	(-3.88)	(-3.74)	(-3.87)	(-3.30)
Legal Origin (Socialist)	0.183	0.0205	0.0599	0.0518	-0.119
	(0.66)	(0.07)	(0.21)	(0.19)	(-0.34)
Legal Origin (German)	-0.144	-0.202	-0.219	-0.164	-0.221
	(-0.17)	(-0.25)	(-0.27)	(-0.20)	(-0.25)
Legal Origin (Scandinavian)	0.582	0.446	0.386	0.410	0.854
	(0.59)	(0.47)	(0.41)	(0.43)	(0.74)
Constant	6.865***	7.426***	7.794***	7.392***	6.629***
	(9.38)	(7.68)	(6.19)	(7.83)	(9.75)
Observations	128	122	120	122	122
R-squared	0.212	0.255	0.245	0.245	0.244

First Stage					
Constructed trade share (1970-2008)		0.3054***	0.3367***	0.3969***	0.1484**
		(5.17)	(5.55)	(4.51)	(2.47)

Partial R-squared		0.1818	0.1658	0.2086	0.0422
F-test on excl. instrument		26.7111	30.8124	20.3515	6.1234
F-test, p-value		0.0000	0.0000	0.0000	0.0148

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A15: Regression Results.
Dependent Variable: Centralized collective bargaining (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.00980	-0.00837			
	(-1.11)	(-0.40)			
KOF index of globalization (economic, 1970-2009)			-0.0126		
			(-0.66)		
KOF index of globalization (social, 1970-2009)				-0.00644	
				(-0.39)	
KOF index of globalization (political, 1970-2009)					-0.0172
					(-0.41)
log Population (1970-2009)	-0.113[*]	-0.133[**]	-0.156[*]	-0.145[*]	-0.0184
	(-1.80)	(-2.07)	(-1.65)	(-1.84)	(-0.07)
Democracy (1970-2009)	-0.319	-0.443	-0.346	-0.456	-0.266
	(-1.10)	(-0.99)	(-0.92)	(-1.06)	(-0.32)
Legal Origin (French)	-0.415	-0.531[*]	-0.556[*]	-0.539[*]	-0.459
	(-1.45)	(-1.75)	(-1.75)	(-1.73)	(-1.51)
Legal Origin (Socialist)	0.708[***]	0.641[**]	0.677[**]	0.663[**]	0.543
	(2.72)	(2.33)	(2.39)	(2.46)	(1.36)
Legal Origin (German)	-0.411	-0.464	-0.486	-0.438	-0.478
	(-0.37)	(-0.43)	(-0.45)	(-0.40)	(-0.45)
Legal Origin (Scandinavian)	-1.668[***]	-1.769[***]	-1.785[***]	-1.794[***]	-1.482
	(-3.30)	(-3.32)	(-3.79)	(-3.52)	(-1.40)
Constant	8.306[***]	8.584[***]	8.959[***]	8.560[***]	8.023[***]
	(11.42)	(6.82)	(5.25)	(7.03)	(11.23)
Observations	128	122	120	122	122
R-squared	0.215	0.233	0.222	0.222	0.263
First Stage					
Constructed trade share (1970-2008)		0.3054[***]	0.3367[***]	0.3969[***]	0.1484[**]
		(5.17)	(5.55)	(4.51)	(2.47)
Partial R-squared		0.1818	0.1658	0.2086	0.0422
F-test on excl. instrument		26.7111	30.8124	20.3515	6.1234
F-test, p-value		0.0000	0.0000	0.0000	0.0148

t statistics in parentheses
[*] $p < 0.10$, [**] $p < 0.05$, [***] $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A16: Regression Results.
Dependent Variable: Hours regulations (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.00723 (-0.71)	-0.0111 (-0.39)			
KOF index of globalization (economic, 1970-2009)			-0.0134 (-0.51)		
KOF index of globalization (social, 1970-2009)				-0.00839 (-0.38)	
KOF index of globalization (political, 1970-2009)					-0.0238 (-0.39)
log Population (1970-2009)	0.0273 (0.35)	0.00573 (0.08)	-0.0219 (-0.23)	-0.0109 (-0.13)	0.157 (0.39)
Democracy (1970-2009)	-0.265 (-0.76)	-0.222 (-0.41)	-0.195 (-0.44)	-0.238 (-0.46)	0.00673 (0.01)
Legal Origin (French)	-2.200*** (-7.25)	-2.291*** (-7.04)	-2.314*** (-6.64)	-2.304*** (-6.67)	-2.189*** (-6.84)
Legal Origin (Socialist)	-1.592*** (-4.49)	-1.781*** (-5.05)	-1.753*** (-4.89)	-1.754*** (-4.88)	-1.915*** (-3.83)
Legal Origin (German)	-1.311** (-1.98)	-1.299* (-1.94)	-1.332** (-2.14)	-1.268* (-1.81)	-1.296* (-1.80)
Legal Origin (Scandinavian)	-1.958*** (-3.54)	-1.960*** (-2.88)	-2.008*** (-3.60)	-2.000*** (-3.19)	-1.551 (-0.99)
Constant	9.420*** (10.76)	9.837*** (7.22)	10.20*** (5.31)	9.801*** (7.56)	9.152*** (9.46)
Observations	139	133	131	133	133
R-squared	0.288	0.298	0.294	0.293	0.288
First Stage					
Constructed trade share (1970-2008)		0.318*** (5.56)	0.3459*** (5.81)	0.4201*** (4.90)	0.1482** (2.52)
Partial R-squared		0.1937	0.1716	0.2257	0.0419
F-test on excl. instrument		30.9476	33.7029	24.0236	6.3445
F-test, p-value		0.0000	0.0000	0.0000	0.013

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A17: Regression Results.
Dependent Variable: Mandated cost of worker dismissal (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0534***	0.0286			
	(2.92)	(0.72)			
KOF index of globalization (economic, 1970-2009)			0.0353		
			(0.92)		
KOF index of globalization (social, 1970-2009)				0.0219	
				(0.71)	
KOF index of globalization (political, 1970-2009)					0.0580
					(0.73)
log Population (1970-2009)	-0.365**	-0.364**	-0.290	-0.322*	-0.725
	(-2.40)	(-2.33)	(-1.40)	(-1.78)	(-1.51)
Democracy (1970-2009)	-0.331	-0.0227	-0.108	0.0150	-0.578
	(-0.48)	(-0.02)	(-0.12)	(0.01)	(-0.34)
Legal Origin (French)	0.514	0.367	0.421	0.400	0.102
	(0.80)	(0.54)	(0.59)	(0.57)	(0.15)
Legal Origin (Socialist)	2.298***	2.428***	2.344***	2.355***	2.763***
	(3.74)	(3.94)	(3.77)	(3.87)	(3.26)
Legal Origin (German)	1.508	1.693	1.766	1.609	1.704
	(0.99)	(1.11)	(1.12)	(1.04)	(1.21)
Legal Origin (Scandinavian)	2.270***	2.673***	2.782***	2.764***	1.726
	(3.45)	(3.68)	(4.51)	(4.09)	(0.96)
Constant	6.158***	7.276***	6.296*	7.372***	8.944***
	(3.73)	(2.89)	(1.87)	(3.05)	(5.91)
Observations	136	130	128	130	130
R-squared	0.218	0.214	0.208	0.211	0.202
First Stage					
Constructed trade share (1970-2008)		0.3242***	0.3531***	0.4229***	0.1599***
		(5.37)	(5.7)	(4.62)	(2.66)
Partial R-squared		0.1933	0.1713	0.2201	0.0469
F-test on excl. instrument		28.7996	32.5073	21.3457	7.0767
F-test, p-value		0.0000	0.0000	0.0000	0.0089

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A18: Regression Results.
Dependent Variable: Conscription (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0537*	0.0976*			
	(1.90)	(1.93)			
KOF index of globalization (economic, 1970-2009)			0.0801*		
			(1.65)		
KOF index of globalization (social, 1970-2009)				0.0738*	
				(1.95)	
KOF index of globalization (political, 1970-2009)					0.209
					(1.63)
log Population (1970-2009)	-0.447**	-0.385**	-0.153	-0.239	-1.718**
	(-2.52)	(-2.06)	(-0.67)	(-1.17)	(-2.07)
Democracy (1970-2009)	0.893	0.0818	0.880	0.221	-1.935
	(0.88)	(0.07)	(0.78)	(0.19)	(-0.77)
Legal Origin (French)	-2.640***	-2.336***	-2.236***	-2.218***	-3.232***
	(-3.45)	(-2.98)	(-2.83)	(-2.86)	(-3.03)
Legal Origin (Socialist)	-3.719***	-3.425***	-3.419***	-3.660***	-2.245**
	(-4.23)	(-3.68)	(-3.48)	(-3.73)	(-2.01)
Legal Origin (German)	-4.892***	-5.177***	-4.805**	-5.444***	-5.198**
	(-2.66)	(-2.60)	(-2.49)	(-2.80)	(-2.04)
Legal Origin (Scandinavian)	-6.281***	-6.781***	-5.950***	-6.435***	-10.38***
	(-4.19)	(-4.00)	(-3.72)	(-4.26)	(-2.92)
Constant	9.585***	7.163***	5.269	7.479***	13.20***
	(4.97)	(2.60)	(1.42)	(2.83)	(5.21)
Observations	139	133	131	133	133
R-squared	0.221	0.175	0.141	0.191	.

First Stage					
Constructed trade share (1970-2008)		0.318***	0.3459***	0.4201***	0.1482***
		(5.56)	(5.81)	(4.90)	(2.52)

		(2)	(3)	(4)	(5)
Partial R-squared		0.1937	0.1716	0.2257	0.0419
F-test on excl. instrument		30.9476	33.7029	24.0236	6.3445
F-test, p-value		0.0000	0.0000	0.0000	0.013

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A19: Regression Results.
Dependent variable: Employment laws index by Botero et al. (2004) in 1997.
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	0.00139	0.0121**			
	(1.14)	(2.53)			
KOF index of globalization (economic, 1975-1995)			0.0118**		
			(2.38)		
KOF index of globalization (social, 1975-1995)				0.00971***	
				(3.07)	
KOF index of globalization (political, 1975-1995)					0.0200
					(1.38)
log Population (1975-1995)	0.00623	0.0202	0.0521**	0.0356*	-0.100
	(0.49)	(1.16)	(2.07)	(1.79)	(-1.26)
Democracy (1975-1995)	-0.00497	-0.173*	-0.109	-0.182*	-0.296
	(-0.11)	(-1.80)	(-1.38)	(-1.91)	(-1.29)
Leftwing government tradition	0.0903	0.235**	0.293**	0.207**	0.181
	(1.33)	(2.05)	(2.27)	(2.05)	(1.05)
Legal Origin (French)	0.260***	0.300***	0.318***	0.325***	0.187*
	(6.49)	(5.02)	(5.02)	(5.45)	(1.76)
Legal Origin (Socialist)	0.277***	0.311***	0.284***	0.251***	0.552**
	(4.94)	(4.03)	(3.86)	(3.49)	(2.25)
Legal Origin (German)	0.156**	0.127	0.169**	0.0661	0.209
	(2.02)	(1.36)	(2.04)	(0.72)	(1.07)
Legal Origin (Scandinavian)	0.338***	0.140	0.200*	0.209**	-0.204
	(5.81)	(1.13)	(1.80)	(2.11)	(-0.47)
Constant	0.124	-0.538	-0.895*	-0.466	0.0900
	(0.80)	(-1.56)	(-1.87)	(-1.59)	(0.32)
Observations	81	79	79	79	79
R-squared	0.451	.	0.0137	0.123	.
First Stage					
Constructed trade share (1975-1995)		0.2937**	0.3022**	0.3666***	0.1782
		(2.40)	(2.28)	(2.90)	(1.30)
Partial R-squared		0.1228	0.1246	0.1256	0.0299
F-test on excl. instrument		5.7787	5.2026	8.4368	1.693
F-test, p-value		0.0189	0.0256	0.0049	0.1975

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A20: Regression Results.
Dependent variable: Collective relations laws index by Botero et al. (2004) in 1997.
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	-0.000454 (-0.46)	-0.00114 (-0.49)			
KOF index of globalization (economic, 1975-1995)			-0.00110 (-0.49)		
KOF index of globalization (social, 1975-1995)				-0.000911 (-0.48)	
KOF index of globalization (political, 1975-1995)					-0.00187 (-0.49)
log Population (1975-1995)	0.0104 (0.97)	0.00887 (0.81)	0.00588 (0.40)	0.00743 (0.58)	0.0201 (0.99)
Democracy (1975-1995)	0.0126 (0.41)	0.0370 (0.83)	0.0310 (0.88)	0.0378 (0.82)	0.0485 (0.74)
Leftwing government tradition	0.00516 (0.10)	0.0241 (0.52)	0.0187 (0.35)	0.0267 (0.61)	0.0291 (0.68)
Legal Origin (French)	0.177*** (5.83)	0.188*** (6.94)	0.186*** (6.87)	0.185*** (6.56)	0.198*** (5.77)
Legal Origin (Socialist)	0.175*** (4.87)	0.176*** (5.10)	0.179*** (5.21)	0.182*** (4.90)	0.154*** (2.64)
Legal Origin (German)	0.191*** (3.82)	0.205*** (4.44)	0.201*** (4.31)	0.211*** (4.09)	0.197*** (5.08)
Legal Origin (Scandinavian)	0.180** (2.32)	0.190** (2.32)	0.185** (2.42)	0.184** (2.40)	0.222* (1.73)
Constant	0.229* (1.75)	0.244 (1.29)	0.277 (1.12)	0.237 (1.30)	0.185* (1.68)
Observations	81	79	79	79	79
R-squared	0.376	0.409	0.414	0.399	0.392
First Stage					
Constructed trade share (1975-1995)		0.2937** (2.40)	0.3022** (2.28)	0.3666*** (2.90)	0.1782 (1.30)
Partial R-squared		0.1228	0.1246	0.1256	0.0299
F-test on excl. instrument		5.7787	5.2026	8.4368	1.693
F-test, p-value		0.0189	0.0256	0.0049	0.1975

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A21: Regression Results.
Dependent variable: Social securtiy laws index by Botero et al. (2004) in 1997.
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **a constructed trade share**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	0.00632***	-0.000328			
	(5.00)	(-0.09)			
KOF index of globalization (economic, 1975-1995)			-0.000319		
			(-0.09)		
KOF index of globalization (social, 1975-1995)				-0.000263	
				(-0.09)	
KOF index of globalization (political, 1975-1995)					-0.000541
					(-0.08)
log Population (1975-1995)	0.0270**	0.0177	0.0168	0.0173	0.0209
	(2.09)	(1.05)	(0.72)	(0.88)	(0.61)
Democracy (1975-1995)	0.171***	0.295***	0.293***	0.295***	0.298**
	(3.45)	(3.45)	(4.20)	(3.36)	(2.46)
Leftwing government Tradition	0.0507	0.00391	0.00234	0.00467	0.00536
	(0.70)	(0.04)	(0.02)	(0.05)	(0.06)
Legal Origin (French)	0.152***	0.147***	0.146**	0.146**	0.150***
	(3.28)	(2.63)	(2.52)	(2.46)	(2.82)
Legal Origin (Socialist)	0.313***	0.299***	0.299***	0.300***	0.292***
	(5.74)	(4.80)	(4.86)	(4.79)	(2.75)
Legal Origin (German)	0.151**	0.188***	0.187***	0.189***	0.186***
	(2.44)	(3.00)	(2.94)	(2.87)	(2.74)
Legal Origin (Scandinavian)	0.193***	0.312***	0.311***	0.310***	0.321*
	(3.28)	(3.46)	(3.97)	(4.06)	(1.72)
Constant	-0.272	0.0943	0.104	0.0923	0.0773
	(-1.63)	(0.29)	(0.25)	(0.31)	(0.41)
Observations	81	79	79	79	79
R-squared	0.633	0.530	0.532	0.531	0.519
First Stage					
Constructed trade share (1975-1995)		0.2937**	0.3022**	0.3666***	0.1782
		(2.40)	(2.28)	(2.90)	(1.30)
Partial R-squared		0.1228	0.1246	0.1256	0.0299
F-test on excl. instrument		5.7787	5.2026	8.4368	1.693
F-test, p-value		0.0189	0.0256	0.0049	0.1975

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A22: Regression Results
Dependent Variable: Overall labor market freedom (average over the period 1906-2010)
OLS/2SLS robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0211^{***}	0.0774^{*}			
	(2.71)	(1.86)			
KOF index of globalization (economic, 1970-2009)			0.0712		
			(1.55)		
KOF index of globalization (social, 1970-2009)				0.0496^{**}	
				(2.14)	
KOF index of globalization (political, 1970-2009)					0.364
					(0.61)
log Population (1970-2009)	-0.199^{***}	-0.169^{**}	0.0222	-0.0789	-2.410
	(-2.99)	(-2.11)	(0.14)	(-0.90)	(-0.66)
Democracy (1970-2008)	-0.371	-1.400^{*}	-0.916	-1.118^{*}	-6.579
	(-1.33)	(-1.67)	(-1.24)	(-1.83)	(-0.60)
Legal Origin (French)	-1.462^{***}	-1.287^{***}	-1.165^{***}	-1.265^{***}	-2.554
	(-5.78)	(-4.06)	(-2.99)	(-4.39)	(-1.36)
Legal Origin (Socialist)	-0.691^{***}	-0.673^{**}	-0.722^{**}	-0.867^{***}	1.769
	(-2.89)	(-2.32)	(-2.41)	(-3.14)	(0.43)
Legal Origin (German)	-0.847	-1.288	-1.014	-1.374^{*}	-2.071
	(-1.04)	(-1.48)	(-1.10)	(-1.69)	(-0.58)
Legal Origin (Scandinavian)	-1.635^{***}	-2.466^{***}	-1.889^{**}	-2.060^{***}	-10.05
	(-2.82)	(-2.82)	(-2.43)	(-3.19)	(-0.70)
Constant	8.173^{***}	5.627^{***}	3.763	6.423^{***}	11.71^{**}
	(11.09)	(2.88)	(1.12)	(4.73)	(2.51)
KOF index of globalization (overall, 1970-2009)	0.0211^{***}	0.0774^{*}			
	(2.71)	(1.86)			
Observations	139	139	137	139	139
R-squared	0.301	0.059	.	0.235	.
First Stage					
Relative land boundaries		-9.7429^{**}	-9.9525**	-15.1973^{***}	-2.074
		(-2.48)	(-2.10)	(-3.24)	(-0.59)
Partial R-squared		0.0608	0.0473	0.0993	0.0027
F-test on excl. instrument		6.1268	4.4115	10.4905	0.3436
F-test, p-value		0.0146	0.0376	0.0015	0.5588

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A23: Regression Results.
Dependent Variable: Hiring regulations and Minimum wages (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries.**

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0504***	0.117*			
	(3.25)	(1.82)			
KOF index of globalization (economic, 1970-2009)			0.0995		
			(1.49)		
KOF index of globalization (social, 1970-2009)				0.0768**	
				(1.98)	
KOF index of globalization (political, 1970-2009)					0.429
					(0.81)
log Population (1970-2009)	-0.112	-0.0694	0.209	0.0630	-2.654
	(-0.79)	(-0.44)	(0.82)	(0.37)	(-0.86)
Democracy (1970-2009)	-1.653***	-2.887**	-1.989*	-2.479**	-8.722
	(-2.76)	(-2.15)	(-1.82)	(-2.34)	(-0.87)
Legal Origin (French)	-2.499***	-2.268***	-2.135***	-2.234***	-3.880**
	(-4.91)	(-3.94)	(-3.10)	(-3.95)	(-2.16)
Legal Origin (Socialist)	-1.628***	-1.583***	-1.644***	-1.898***	1.369
	(-2.94)	(-2.68)	(-3.05)	(-3.29)	(0.35)
Legal Origin (German)	0.450	-0.0508	0.371	-0.218	-0.720
	(0.56)	(-0.06)	(0.38)	(-0.24)	(-0.21)
Legal Origin (Scandinavian)	-2.252**	-3.197**	-2.259**	-2.642***	-11.52
	(-2.27)	(-2.55)	(-2.13)	(-2.58)	(-0.94)
Constant	7.391***	4.296	1.907	5.489**	11.99***
	(5.59)	(1.34)	(0.38)	(2.27)	(3.03)
Observations	137	137	135	137	137
R-squared	0.261	0.165	0.104	0.253	.
First Stage					
Relative land boundaries		-10.3022**	-10.4763**	-15.7206***	-2.8109
		(-2.59)	(-2.17)	(-3.30)	(-0.79)
Partial R-squared		0.0666	0.0514	0.104	0.0048
F-test on excl. instrument		6.6879	4.7036	10.9066	0.6206
F-test, p-value		0.0108	0.032	0.0012	0.4323

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A24: Regression Results.
Dependent Variable: Hiring and firing regulations (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.0130	0.0200			
	(-1.48)	(0.65)			
KOF index of globalization (economic, 1970-2009)			0.0163		
			(0.56)		
KOF index of globalization (social, 1970-2009)				0.0129	
				(0.66)	
KOF index of globalization (political, 1970-2009)					0.117
					(0.38)
log Population (1970-2009)	-0.0837	-0.0563	-0.00916	-0.0345	-0.789
	(-1.28)	(-0.78)	(-0.07)	(-0.39)	(-0.42)
Democracy (1970-2009)	-0.601*	-1.207*	-1.018**	-1.131**	-3.070
	(-1.92)	(-1.92)	(-2.09)	(-2.22)	(-0.52)
Legal Origin (French)	-0.882***	-0.761**	-0.710**	-0.760***	-1.100
	(-3.38)	(-2.55)	(-2.15)	(-2.60)	(-1.42)
Legal Origin (Socialist)	0.183	0.243	0.260	0.185	1.101
	(0.66)	(0.84)	(0.92)	(0.66)	(0.47)
Legal Origin (German)	-0.144	-0.364	-0.273	-0.396	-0.525
	(-0.17)	(-0.43)	(-0.33)	(-0.45)	(-0.44)
Legal Origin (Scandinavian)	0.582	0.158	0.341	0.248	-2.244
	(0.59)	(0.16)	(0.35)	(0.26)	(-0.33)
Constant	6.865***	5.238***	4.821*	5.456***	7.100***
	(9.38)	(3.08)	(1.96)	(3.96)	(2.91)
Observations	128	128	126	128	128
R-squared	0.212	0.108	0.105	0.150	.
First Stage					
Relative land boundaries		-9.956**	-10.7776**	-15.3904***	-1.7022
		(-2.41)	(-2.19)	(-3.15)	(-0.46)
Partial R-squared		0.0644	0.0562	0.105	0.0018
F-test on excl. instrument		5.8008	4.8033	9.9134	0.2161
F-test, p-value		0.0175	0.0304	0.0021	0.6429

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A25: Regression Results.
Dependent Variable: Centralized collective bargaining (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.00980	0.0755			
	(-1.11)	(1.60)			
KOF index of globalization (economic, 1970-2009)			0.0645		
			(1.50)		
KOF index of globalization (social, 1970-2009)				0.0488*	
				(1.83)	
KOF index of globalization (political, 1970-2009)					0.441
					(0.45)
log Population (1970-2009)	-0.113*	-0.0419	0.147	0.0405	-2.812
	(-1.80)	(-0.43)	(0.78)	(0.35)	(-0.47)
Democracy (1970-2009)	-0.319	-1.888**	-1.313*	-1.599**	-8.930
	(-1.10)	(-1.97)	(-1.89)	(-2.36)	(-0.47)
Legal Origin (French)	-0.415	-0.0999	0.00349	-0.0986	-1.385
	(-1.45)	(-0.26)	(0.01)	(-0.28)	(-0.56)
Legal Origin (Socialist)	0.708***	0.862**	0.830***	0.642**	4.105
	(2.72)	(2.48)	(2.61)	(2.22)	(0.54)
Legal Origin (German)	-0.411	-0.979	-0.712	-1.099	-1.588
	(-0.37)	(-0.70)	(-0.55)	(-0.82)	(-0.34)
Legal Origin (Scandinavian)	-1.668***	-2.765***	-2.148***	-2.424***	-11.85
	(-3.30)	(-3.37)	(-3.16)	(-4.01)	(-0.54)
Constant	8.306***	4.092	2.438	4.920***	11.14
	(11.42)	(1.58)	(0.66)	(2.65)	(1.48)
Observations	128	128	126	128	128
R-squared	0.215	.	.	.	.
First Stage					
Relative land boundaries		-9.956**	-10.7776**	-15.3904***	-1.7022
		(-2.41)	(-2.19)	(-3.15)	(-0.46)
Partial R-squared		0.0644	0.0562	0.105	0.0018
F-test on excl. instrument		5.8008	4.8033	9.9134	0.2161
F-test, p-value		0.0175	0.0304	0.0021	0.6429

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A26: Regression Results.
Dependent Variable: Hours regulations (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	-0.00723	0.0968			
	(-0.71)	(1.60)			
KOF index of globalization (economic, 1970-2009)			0.0932		
			(1.44)		
KOF index of globalization (social, 1970-2009)				0.0621*	
				(1.83)	
KOF index of globalization (political, 1970-2009)					0.455
					(0.56)
log Population (1970-2009)	0.0273	0.0818	0.327	0.194	-2.721
	(0.35)	(0.70)	(1.47)	(1.39)	(-0.55)
Democracy (1970-2009)	-0.265	-2.166*	-1.647	-1.814**	-8.643
	(-0.76)	(-1.81)	(-1.60)	(-2.09)	(-0.58)
Legal Origin (French)	-2.200***	-1.876***	-1.702***	-1.848***	-3.461
	(-7.25)	(-4.13)	(-3.08)	(-4.49)	(-1.38)
Legal Origin (Socialist)	-1.592***	-1.559***	-1.631***	-1.801***	1.495
	(-4.49)	(-3.23)	(-3.41)	(-4.12)	(0.26)
Legal Origin (German)	-1.311**	-2.125**	-1.793*	-2.233**	-3.105
	(-1.98)	(-2.21)	(-1.87)	(-2.50)	(-0.66)
Legal Origin (Scandinavian)	-1.958***	-3.492***	-2.809***	-2.985***	-12.97
	(-3.54)	(-3.02)	(-2.88)	(-3.72)	(-0.67)
Constant	9.420***	4.715	2.166	5.710***	12.32**
	(10.76)	(1.58)	(0.46)	(2.64)	(1.99)
Observations	139	139	137	139	139
R-squared	0.288	.	.	.	.

First Stage					
Relative land boundaries		-9.7429**	-9.9525**	-15.1973***	-2.074
		(-2.48)	(-2.10)	(-3.24)	(-0.59)

Partial R-squared		0.0608	0.0473	0.0993	0.0027
F-test on excl. instrument		6.1268	4.4115	10.4905	0.3436
F-test, p-value		0.0146	0.0376	0.0015	0.5588

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A27: Regression Results.
Dependent Variable: Mandated cost of worker dismissal (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0534***	0.0249			
	(2.92)	(0.32)			
KOF index of globalization (economic, 1970-2009)			0.0358		
			(0.47)		
KOF index of globalization (social, 1970-2009)				0.0165	
				(0.32)	
KOF index of globalization (political, 1970-2009)					0.0964
					(0.32)
log Population (1970-2009)	-0.365**	-0.383**	-0.302	-0.354*	-0.962
	(-2.40)	(-2.36)	(-0.98)	(-1.66)	(-0.55)
Democracy (1970-2009)	-0.331	0.199	0.0770	0.283	-1.143
	(-0.48)	(0.13)	(0.06)	(0.21)	(-0.20)
Legal Origin (French)	0.514	0.419	0.520	0.426	0.0538
	(0.80)	(0.59)	(0.63)	(0.59)	(0.05)
Legal Origin (Socialist)	2.298***	2.278***	2.217***	2.211***	2.943
	(3.74)	(3.65)	(3.57)	(3.61)	(1.29)
Legal Origin (German)	1.508	1.721	1.772	1.684	1.562
	(0.99)	(1.17)	(1.18)	(1.12)	(1.11)
Legal Origin (Scandinavian)	2.270***	2.672**	2.737***	2.789***	0.786
	(3.45)	(2.26)	(3.57)	(3.09)	(0.11)
Constant	6.158***	7.479*	6.224	7.727**	9.143***
	(3.73)	(1.86)	(1.01)	(2.34)	(4.48)
Observations	136	136	134	136	136
R-squared	0.218	0.205	0.196	0.199	0.162
First Stage					
Relative land boundaries		-10.2297**	-10.6213**	-15.5041***	-2.6454
		(-2.52)	(-2.16)	(-3.21)	(-0.73)
Partial R-squared		0.0649	0.0521	0.1003	0.0042
F-test on excl. instrument		6.3685	4.6672	10.2818	0.5334
F-test, p-value		0.0128	0.0326	0.0017	0.4665

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A28: Regression Results.

Dependent Variable: Conscription. (average over the period 2006-2010).
OLS/2SLS with robust standard errors. KOF Index (average over the period 1970-2009).
KOF Indices (average over the period 1970-2009) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1970-2009)	0.0537*	0.0529			
	(1.90)	(0.50)			
KOF index of globalization (economic, 1970-2009)			0.0345		
			(0.33)		
KOF index of globalization (social, 1970-2009)				0.0339	
				(0.51)	
KOF index of globalization (political, 1970-2009)					0.248
					(0.40)
log Population (1970-2009)	-0.447**	-0.447**	-0.338	-0.385*	-1.978
	(-2.52)	(-2.53)	(-0.96)	(-1.65)	(-0.53)
Democracy (1970-2009)	0.893	0.909	1.541	1.101	-2.628
	(0.88)	(0.41)	(0.86)	(0.60)	(-0.23)
Legal Origin (French)	-2.640***	-2.642***	-2.622***	-2.627***	-3.508*
	(-3.45)	(-3.29)	(-2.88)	(-3.25)	(-1.79)
Legal Origin (Socialist)	-3.719***	-3.719***	-3.704***	-3.851***	-2.051
	(-4.23)	(-4.36)	(-4.20)	(-4.28)	(-0.48)
Legal Origin (German)	-4.892***	-4.885***	-4.660***	-4.945***	-5.420
	(-2.66)	(-2.83)	(-2.83)	(-2.92)	(-1.54)
Legal Origin (Scandinavian)	-6.281***	-6.268***	-5.744***	-5.991***	-11.45
	(-4.19)	(-3.22)	(-3.84)	(-3.93)	(-0.78)
Constant	9.585***	9.623**	9.078	10.17***	13.77***
	(4.97)	(2.00)	(1.19)	(2.67)	(2.74)
Observations	139	139	137	139	139
R-squared	0.221	0.221	0.204	0.223	.
First Stage					
Relative land boundaries		-9.7429**	-9.9525**	-15.1973***	-2.074
		(-2.48)	(-2.10)	(-3.24)	(-0.59)
Partial R-squared		0.0608	0.0473	0.0993	0.0027
F-test on excl. instrument		6.1268	4.4115	10.4905	0.3436
F-test, p-value		0.0146	0.0376	0.0015	0.5588

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A29: Regression Results.
Dependent Variable: Employment laws index by Botero et al. (2004) in 1997.
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	0.00139	-0.00195			
	(1.14)	(-0.29)			
KOF index of globalization (economic, 1975-1995)			-0.00185		
			(-0.29)		
KOF index of globalization (social, 1975-1995)				-0.00115	
				(-0.30)	
KOF index of globalization (political, 1975-1995)					0.0257
					(0.10)
log Population (1975-1995)	0.00623	0.00179	-0.00283	0.000592	-0.125
	(0.49)	(0.11)	(-0.10)	(0.03)	(-0.10)
Democracy (1975-1995)	-0.00497	0.0496	0.0367	0.0422	-0.432
	(-0.11)	(0.42)	(0.48)	(0.46)	(-0.10)
Leftwing government tradition	0.0903	0.0502	0.0392	0.0594	0.134
	(1.33)	(0.48)	(0.29)	(0.74)	(0.23)
Legal Origin (French)	0.260***	0.249***	0.245***	0.248***	0.130
	(6.49)	(6.07)	(5.11)	(5.77)	(0.10)
Legal Origin (Socialist)	0.277***	0.267***	0.273***	0.275***	0.635
	(4.94)	(4.85)	(5.36)	(5.25)	(0.18)
Legal Origin (German)	0.156**	0.167**	0.159*	0.172**	0.189
	(2.02)	(2.08)	(1.91)	(2.07)	(0.48)
Legal Origin (Scandinavian)	0.338***	0.399***	0.390***	0.382***	-0.350
	(5.81)	(3.05)	(3.86)	(5.02)	(-0.05)
Constant	0.124	0.325	0.379	0.286	0.111
	(0.80)	(0.73)	(0.62)	(0.91)	(0.12)
Observations	81	81	81	81	81
R-squared	0.451	0.406	0.403	0.403	.
First Stage					
Relative land boundaries		-6.8942	-7.2603	-11.748	0 .5245
		(-1.17)	(-1.17)	(-1.62)	(0.09)
Partial R-squared		0.0282	0.0298	0.0535	0.0001
F-test on excl. instrument		1.362	1.3791	2.6257	0.0085
F-test, p-value		0.247	0.2441	0.1095	0.927

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A30: Regression Results OLS/2SLS robust standard errors.
Dependent Variable: Collective relations laws index by Botero et al. (2004) in 1997
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	-0.000454	0.00152			
	(-0.46)	(0.32)			
KOF index of globalization (economic, 1975-1995)			0.00144		
			(0.33)		
KOF index of globalization (social, 1975-1995)				0.000892	
				(0.33)	
KOF index of globalization (political, 1975-1995)					-0.0200
					(-0.10)
log Population (1975-1995)	0.0104	0.0130	0.0166	0.0139	0.112
	(0.97)	(1.09)	(0.80)	(1.03)	(0.11)
Democracy (1975-1995)	0.0126	-0.0196	-0.00958	-0.0139	0.355
	(0.41)	(-0.26)	(-0.20)	(-0.24)	(0.10)
Leftwing government tradition	0.00516	0.0289	0.0374	0.0217	-0.0362
	(0.10)	(0.39)	(0.40)	(0.38)	(-0.07)
Legal Origin (French)	0.177***	0.183***	0.186***	0.184***	0.276
	(5.83)	(5.59)	(4.95)	(5.49)	(0.27)
Legal Origin (Socialist)	0.175***	0.181***	0.176***	0.174***	-0.106
	(4.87)	(4.94)	(4.92)	(4.89)	(-0.04)
Legal Origin (German)	0.191***	0.184***	0.190***	0.180***	0.166
	(3.82)	(3.04)	(3.52)	(2.83)	(0.60)
Legal Origin (Scandinavian)	0.180**	0.144	0.151	0.158*	0.728
	(2.32)	(1.28)	(1.59)	(1.93)	(0.13)
Constant	0.229*	0.110	0.0682	0.140	0.277
	(1.75)	(0.35)	(0.16)	(0.64)	(0.35)
Observations	81	81	81	81	81
R-squared	0.376	0.342	0.343	0.366	.
First Stage					
Relative land boundaries		-6.8942	-7.2603	-11.748	0 .5245
		(-1.17)	(-1.17)	(-1.62)	(0.09)
Partial R-squared		0.0282	0.0298	0.0535	0.0001
F-test on excl. instrument		1.362	1.3791	2.6257	0.0085
F-test, p-value		0.247	0.2441	0.1095	0.927

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A31: Regression Results OLS/2SLS robust standard errors.
Dependent Variable: Social security laws index by Botero et al. (2004) in 1997.
OLS/2SLS with robust standard errors. KOF Index (average over the period 1975-1995).
KOF Indices (average over the period 1975-1995) instrumented by **relative land boundaries**.

	(1)	(2)	(3)	(4)	(5)
	OLS	2SLS	2SLS	2SLS	2SLS
KOF index of globalization (overall, 1975-1995)	0.00632***	0.0197			
	(5.00)	(1.60)			
KOF index of globalization (economic, 1975-1995)			0.0187		
			(1.46)		
KOF index of globalization (social, 1975-1995)				0.0116**	
				(2.06)	
KOF index of globalization (political, 1975-1995)					-0.259
					(-0.09)
log Population (1975-1995)	0.0270**	0.0448*	0.0914*	0.0569**	1.328
	(2.09)	(1.95)	(1.79)	(2.45)	(0.10)
Democracy (1975-1995)	0.171***	-0.0473	0.0826	0.0270	4.819
	(3.45)	(-0.20)	(0.50)	(0.18)	(0.10)
Leftwing government tradition	0.0507	0.212	0.323	0.118	-0.632
	(0.70)	(1.20)	(1.29)	(1.12)	(-0.10)
Legal Origin (French)	0.152***	0.193***	0.233***	0.207***	1.403
	(3.28)	(3.05)	(2.93)	(3.58)	(0.10)
Legal Origin (Socialist)	0.313***	0.352***	0.296***	0.269***	-3.364
	(5.74)	(4.90)	(4.09)	(4.27)	(-0.09)
Legal Origin (German)	0.151**	0.107	0.184	0.0533	-0.122
	(2.44)	(0.87)	(1.59)	(0.52)	(-0.03)
Legal Origin (Scandinavian)	0.193***	-0.0527	0.0411	0.128	7.522
	(3.28)	(-0.23)	(0.21)	(1.18)	(0.10)
Constant	-0.272	-1.080	-1.620	-0.685*	1.087
	(-1.63)	(-1.45)	(-1.39)	(-1.69)	(0.11)
Observations	81	81	81	81	81
R-squared	0.633	0.134	0.0473	0.414	.
First Stage					
Relative land boundaries		-6.8942	-7.2603	-11.748	0 .5245
		(-1.17)	(-1.17)	(-1.62)	(0.09)
Partial R-squared		0.0282	0.0298	0.0535	0.0001
F-test on excl. instrument		1.362	1.3791	2.6257	0.0085
F-test, p-value		0.247	0.2441	0.1095	0.927

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$
Stock and Yogo (2005) 10% critical value: 16.38; 15% critical value: 8.96; 20% critical value: 6.66

Table A32. Country list: Labor market freedom (Gwartney et al. 2012 – average over the period 2006-2010) and overall KOF index of globalization (average over the period 1970-2009).

Country	Labor market freedom	KOF index (overall)	Country	Labor market freedom	KOF index (overall)
Albania	5.86	33.58	Czech Rep.	7.68	79.77
Algeria	5.04	43.47	Denmark	7.46	80.91
Angola	3.69	37.62	Dominican Rep.	6.30	40.41
Argentina	5.22	53.22	Ecuador	3.93	43.07
Armenia	6.26	43.88	Egypt	4.91	45.55
Australia	8.37	72.82	El Salvador	6.14	46.08
Austria	6.13	77.94	Estonia	5.99	68.69
Azerbaijan	6.64	35.81	Ethiopia	7.32	28.42
Bahamas	9.25	49.49	Fiji	9.16	46.11
Bahrain	8.72	58.23	Finland	5.26	71.34
Bangladesh	6.46	24.71	France	5.66	73.22
Barbados	7.14	47.83	Gabon	7.72	46.24
Belgium	7.02	84.54	Georgia	7.71	45.94
Belize	8.82	44.78	Germany	4.48	68.97
Benin	5.59	27.93	Ghana	6.35	39.60
Bolivia	4.15	44.01	Greece	4.47	62.93
Bosnia and Herzegovina	6.44	49.10	Guatemala	4.63	44.08
Botswana	7.07	45.25	Guinea-Bissau	3.31	30.35
Brazil	4.13	48.72	Guyana	7.52	48.02
Bulgaria	7.53	51.73	Haiti	8.77	25.15
Burkina Faso	7.00	32.78	Honduras	5.23	43.02
Burundi	7.69	22.01	Hong Kong	9.29	
Cambodia	7.51	29.39	Hungary	7.12	64.00
Cameroon	7.40	33.70	Iceland	7.72	61.09
Canada	8.37	81.50	India	7.55	35.77
Central Afr. Rep.	4.20	24.88	Indonesia	5.01	41.13
Chad	5.95	24.42	Iran	4.47	30.67
Chile	5.87	58.53	Ireland	7.66	79.11
China	5.16	35.45	Israel	5.02	59.75
Colombia	5.63	43.63	Italy	6.42	68.61
Congo, Dem. R.	5.11	26.55	Jamaica	7.59	52.67
Congo, Rep. Of	6.32	37.47	Japan	8.36	49.54
Costa Rica	6.49	52.47	Jordan	8.36	54.20
Cote d'Ivoire	5.22	36.41	Kazakhstan	7.05	46.46
Croatia	6.02	60.64	Kenya	7.67	37.25
Cyprus	5.14	57.41	Korea, South	4.48	44.67

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Table A32. Country list: Labor market freedom (Gwartney et al. 2012 – average over the period 2006-2010) and overall KOF index of globalization (average over the period 1970-2009) – continued.

Country	Labor market freedom	KOF index (overall)	Country	Labor market freedom	KOF index (overall)
Kuwait	7.43	60.82	Poland	6.89	61.39
Kyrgyz Republic	6.35	47.14	Portugal	5.11	67.23
Latvia	7.03	58.29	Qatar	7.69	49.89
Lesotho	6.98	35.16	Romania	6.54	46.95
Lithuania	6.26	55.69	Russia	6.07	57.93
Luxembourg	5.49	76.26	Rwanda	8.13	22.55
Macedonia	7.42	44.73	Saudi Arabia	7.96	45.93
Madagascar	4.83	26.39	Senegal	4.24	39.49
Malawi	6.61	33.95	Serbia	5.86	50.01
Malaysia	7.71	61.37	Sierra Leone	5.62	26.52
Mali	5.43	30.85	Singapore	7.72	78.17
Malta	7.05	60.04	Slovak Rep	7.64	73.01
Mauritania	7.06	36.90	Slovenia	5.49	65.87
Mauritius	7.39	46.97	South Africa	6.09	47.94
Mexico	5.56	50.79	Spain	5.11	68.93
Moldova	5.47	39.80	Sri Lanka	6.68	49.34
Mongolia	6.95	34.33	Sweden	5.44	80.46
Montenegro	7.63	64.32	Switzerland	8.06	79.98
Morocco	3.79	44.74	Syria	5.52	32.74
Mozambique	2.99	33.90	Taiwan	4.65	
Myanmar		23.57	Tanzania	5.58	26.77
Namibia	7.52	51.15	Thailand	5.63	43.93
Nepal	5.87	25.68	Togo	4.05	39.36
Netherlands	6.69	83.92	Trinidad & Tob.	7.47	
New Zealand	8.46	68.25	Tunisia	6.46	50.77
Nicaragua	6.99	40.98	Turkey	4.40	50.85
Niger	3.04	28.42	Uganda	7.89	28.21
Nigeria	8.22	44.23	Ukraine	6.18	53.91
Norway	4.83	76.34	Unit. Arab Em.	7.63	62.64
Oman	8.27	51.65	United Kingdom	8.14	79.16
Pakistan	5.63	37.25	United States	9.15	69.67
Panama	5.40	59.51	Uruguay	6.32	54.64
Pap. New Guinea	8.75	38.87	Venezuela	3.44	48.23
Paraguay	3.91	38.46	Vietnam	5.39	31.91
Peru	7.01	43.78	Zambia	6.36	44.66
Philippines	5.95	44.45	Zimbabwe	5.20	40.90

Table A33. Country list: Labor market regulation (Botero et al. 2004 – year 1997) and overall KOF index of globalization (average over the period 1975-1995).

Country	Employment laws index	Collective relations laws index	Social security laws index	KOF index (overall)
Argentina	0.34	0.58	0.72	49.53
Armenia	0.60	0.52	0.73	33.62
Australia	0.35	0.37	0.78	71.19
Austria	0.50	0.36	0.71	74.82
Belgium	0.51	0.423	0.62	82.12
Bolivia	0.37	0.46	0.37	40.04
Brazil	0.57	0.38	0.55	45.10
Bulgaria	0.52	0.44	0.76	44.43
Burkina Faso	0.44	0.53	0.14	29.38
Canada	0.26	0.20	0.79	80.28
Chile	0.47	0.38	0.69	53.84
China	0.43	0.33	0.76	26.85
Colombia	0.34	0.49	0.81	39.75
Croatia	0.49	0.45	0.68	43.70
Czech Rep.	0.52	0.34	0.70	70.65
Denmark	0.57	0.42	0.87	78.17
Dominican Rep.	0.60	0.27	0.49	34.68
Ecuador	0.40	0.64	0.65	38.05
Egypt	0.37	0.41	0.76	41.82
Finland	0.74	0.32	0.79	65.47
France	0.74	0.67	0.78	70.26
Georgia	0.77	0.57	0.45	37.56
Germany	0.70	0.61	0.67	64.43
Ghana	0.29	0.48	0.16	35.21
Greece	0.52	0.49	0.74	56.14
Hong Kong	0.17	0.46	0.81	
Hungary	0.38	0.61	0.73	55.68
India	0.44	0.38	0.40	30.38
Indonesia	0.68	0.39	0.18	35.78
Ireland	0.34	0.46	0.71	76.96
Israel	0.29	0.31	0.81	54.31
Italy	0.65	0.63	0.76	63.55
Jamaica	0.16	0.23	0.17	50.02
Japan	0.16	0.63	0.64	45.32
Jordan	0.70	0.38	0.21	48.88
Kazakhstan	0.78	0.68	0.28	33.67
Kenya	0.37	0.23	0.31	33.86
Korea, South	0.45	0.54	0.68	38.66
Kyrgyz Republic	0.75	0.46	0.77	34.95
Latvia	0.72	0.53	0.70	44.87
Lithuania	0.62	0.50	0.75	39.57
Madagascar	0.47	0.46	0.20	22.13

Table A33. Country list: Labor market regulation (Botero et al. 2004 – year 1997) and overall KOF index of globalization (average over the period 1975-1995) – continued.

Country	Employment laws index	Collective relations laws index	Social security laws index	KOF index (overall)
Malawi	0.18	0.25	0	32.43
Malaysia	0.19	0.19	0.19	55.84
Mali	0.67	0.39	0.17	26.01
Mexico	0.59	0.58	0.51	48.12
Mongolia	0.33	0.23	0.74	29.35
Morocco	0.26	0.49	0.52	40.80
Mozambique	0.79	0.58	0.45	27.12
Netherlands	0.73	0.46	0.63	82.35
New Zealand	0.16	0.25	0.72	64.78
Nigeria	0.19	0.21	0.34	41.12
Norway	0.69	0.65	0.83	74.85
Pakistan	0.34	0.31	0.47	31.86
Panama	0.62	0.46	0.74	57.11
Peru	0.46	0.71	0.42	37.30
Philippines	0.48	0.51	0.49	40.50
Poland	0.64	0.57	0.65	55.53
Portugal	0.81	0.65	0.74	60.44
Romania	0.33	0.56	0.74	38.70
Russia	0.83	0.58	0.85	45.68
Senegal	0.51	0.57	0.38	35.77
Singapore	0.31	0.34	0.46	76.35
Slovak Rep	0.66	0.45	0.73	59.58
Slovenia	0.74	0.49	0.78	50.54
South Africa	0.32	0.54	0.58	41.23
Spain	0.74	0.59	0.77	63.63
Sri Lanka	0.47	0.51	0.19	
Sweden	0.74	0.54	0.84	78.25
Switzerland	0.45	0.42	0.82	78.15
Taiwan	0.45	0.32	0.75	
Tanzania	0.68	0.32	0.09	23.10
Thailand	0.41	0.36	0.47	37.41
Tunisia	0.82	0.38	0.71	48.57
Turkey	0.40	0.47	0.48	45.15
Uganda	0.35	0.38	0.11	22.99
Ukraine	0.66	0.58	0.85	36.93
United Kingdom	0.28	0.19	0.69	77.53
United States	0.22	0.26	0.65	67.62
Uruguay	0.28	0.35	0.68	51.01
Venezuela	0.65	0.54	0.73	44.81
Vietnam	0.54	0.48	0.52	27.43
Zambia	0.15	0.29	0.11	41.11
Zimbabwe	0.25	0.44	0.16	35.68

Table A34. Detailed description of the Labor market freedom indicators by the Frazer Institute.

Source: Gwartney et al. (2012) – Appendix Explanatory Notes and Data Sources

Indicator	Description	Source
Hiring regulations and minimum wage	This sub-component is based on the World Bank's Doing Business "Difficulty of Hiring Index," which is described as follows: "The difficulty of hiring index measures (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; and (iii) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker. An economy is assigned a score of 1 if fixed-term contracts are prohibited for permanent tasks and a score of 0 if they can be used for any task. A score of 1 is assigned if the maximum cumulative duration of fixed-term contracts is less than 3 years; 0.5 if it is 3 years or more but less than 5 years; and 0 if fixed-term contracts can last 5 years or more. Finally, a score of 1 is assigned if the ratio of the minimum wage to the average value added per worker is 0.75 or more; 0.67 for a ratio of 0.50 or more but less than 0.75; 0.33 for a ratio of 0.25 or more but less than 0.50; and 0 for a ratio of less than 0.25." Countries with higher difficulty of hiring are given lower ratings.	World Bank, Doing Business (various issues), http://www.doingbusiness.org/.
Hiring and firing regulations	This sub-component is based on the Global Competitiveness Report question: "The hiring and firing of workers is impeded by regulations (= 1) or flexibly determined by employers (= 7)." The question's wording has varied slightly over the years.	Source World Economic Forum, Global Competitiveness Report (various issues), http://www.weforum.org/en/initiatives/gcp/index.htm.
Centralized collective bargaining	This sub-component is based on the Global Competitiveness Report question: "Wages in your country are set by a centralized bargaining process (= 1) or up to each individual company (= 7)." The question's wording has varied slightly over the years.	World Economic Forum, Global Competitiveness Report (various issues), http://www.weforum.org/en/initiatives/gcp/index.htm.
Hours regulations	This sub-component is based on the World Bank's Doing Business "Rigidity of Hours Index," which is described as follows: "The rigidity of hours index has 5 components: (i) whether there are restrictions on night work; (ii) whether there are restrictions on weekly holiday work; (iii) whether the work-week can consist of 5.5 days; (iv) whether the work-week can extend to 50 hours or more (including overtime) for 2 months a year to respond to a seasonal increase in	World Bank, Doing Business (various issues), http://www.doingbusiness.org/.

	production; and (v) whether paid annual vacation is 21 working days or fewer. For questions (i) and (ii), when restrictions other than premiums apply, a score of 1 is given. If the only restriction is a premium for night work and weekly holiday work, a score of 0, 0.33, 0.66, or 1 is given according to the quartile in which the economy's premium falls. If there are no restrictions, the economy receives a score of 0. For questions (iii), (iv), and (v), when the answer is 'no', a score of 1 is assigned; otherwise a score of 0 is assigned." Countries with less rigid work rules receive better scores in this component.	
Mandated cost of worker dismissal	This sub-component is based on the World Bank's Doing Business data on the cost of the advance notice requirements, severance payments, and penalties due when dismissing a redundant worker. The formula used to calculate the zero-to-10 ratings was: (Vmax − Vi) / (Vmax − Vmin) multiplied by 10. Vi represents the dismissal cost (measured in weeks of wages). The values for Vmax and Vmin were set at 108 weeks (1.5 standard deviations above average) and 0 weeks, respectively. Countries with values outside the Vmax and Vmin range received ratings of either zero or ten accordingly.	Source World Bank, Doing Business (various issues), http://www.doingbusiness.org/.
Conscription	Data on the use and duration of military conscription were used to construct rating intervals. Countries with longer conscription periods received lower ratings. A rating of 10 was assigned to countries without military conscription. When length of conscription was six months or less, countries were given a rating of 5. When length of conscription was more than six months but not more than 12 months, countries were rated at 3. When length of conscription was more than 12 months but not more than 18 months, countries were assigned a rating of 1. When conscription periods exceeded 18 months, countries were rated zero. If conscription was present, but apparently not strictly enforced or the length of service could not be determined, the country was given a rating of 3. In cases where it is clear conscription is never used, even though it may be possible, a rating of 10 is given. If a country's mandated national service includes clear non-military options, the country was given a rating of 5.	International Institute for Strategic Studies, The Military Balance (various issues); War Resisters International, World Survey of Conscription and Conscientious Objection to Military Service, http://www.writirg.org/programmes/world_survey/.

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