

EPL reform on women's flows and wages¹

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Abstract

This study aims at evaluating the effect of EPL variation on women's flows and wages. Exploiting the reform of 1990 which introduces unjust dismissals costs even among firms with up to 15-employees we show that women in small firms after reform reduce their propensity to get out from employment status. In addition, among women workers, the ones in weaker bargaining positions show an average wage increase of about 2 percent. This result, however, doesn't survive in entry wage cases.

¹ VERY PRELIMINARY VERSION. PLEASE DO NOT QUOTE.

1. Introduction and literature

One of the most discussed measures among Employment Protection Legislations (EPL) is above all the one concerning redundancy procedures that bind employers to provide severance payments in case of unjust dismissals.

Among articles on EPL and their effects on employment flows and wage levels, few are the ones that refer to women as in that case selection issues make analysis more difficult (among others see Prifti and Vuri 2011, Adserà 2004, Bratti et al. 2005).

This study aims at evaluating the effect of an EPL reform introduced in 1990 on women's flows and wages. The analysis is based on Italian Linked Employer Employee Data, providing several information on dependent workers' and firms' characteristics.

Exploiting the EPL reform that introduced unjust dismissal costs even among firms with up to 15 employees, we show how the probability of getting out of employment status differs by gender. Afterwards, we estimate a causal effect of EPL increases on female's wages and we find that the effect is related to heterogeneous levels of bargaining power.

The economic theory predicts that in both perfectly competitive markets and in presence of frictions, an EPL increase leads to wage reduction of newly-hired workers as dismissal costs paid by firms could easily be neutralized by a cut on entry wages, Lazear (1990), Garibaldi and Violante (2005).

The empirical literature supports heterogeneous effects of EPL variation on wages correlated with bargaining positions. In the presence of risk aversion, workers may be more willing to accept lower entry wage in return of job security (Bertola, 2004). A higher level of protection strengthens insiders' wages negotiation power leading employer to offset entrants' wages by the expected present value of future share of severance payments. (Mortensen and Pissarides, 1999; Garibaldi and Violante, 2005). Results are by the way not uniquely identified. Cervini Plà et al. (2010) show that introduction of flexibility leads to wage increases in Spain, while Van der Wiel (2010) makes use of a two-tier reform to prove the opposite. Finally, Leonardi and Pica (2013) support the presence of a slight wage reduction that hides heterogeneous effects. Workers moving from firm to firm suffer a drop in entry wages and firm's ability to neutralize high dismissals costs is highly related to bargaining strength. We will much refer to the just described work with the intention of replicating some exercises even on women's labor market.

The introduction of severance payments for small firms leaves completely unchanged the existing schemes in large firms, generating a quasi-experimental setup which can be used to combine Difference-in-Differences (DD) procedures with probit analysis and two way fixed effects models.

In order to identify the impact of dismissal costs on women's wages we exploit both the discontinuity at the 15-employee threshold and the time of reform. Balancing tests of variable at the threshold and other robustness checks are considered.

Results show the absence of a significant effect of reform on the probability of getting out of employment status when no gender status is considered. Conversely, a reduction of the same probability is estimated in case of women workers in small firms after the reform. From basic results, EPL variations don't have any effect on women's wages. However, wages earned by women who did not benefit from maternity allowances show an average increase of 2 percent. The latter result is confirmed the closer we get to weaker workers with permanent contracts as the ones that have never benefited from maternity allowances and are at the average age of having a child. Finally, we find that workers who start a new work relation suffer a slight average wage drop.

The work is subdivided into several sections, the first paragraph is an introduction and describes the reference literature, the second illustrates the institutional framework. Paragraph three defines the data and sample selection before framing the identification strategy in paragraph four. Finally, before going to the results description in paragraph 6, checks on the selection processes are performed. Paragraph seven sets out the conclusions.

2. Institutional framework

The Italian EPL is one of the most stringent in Europe since late seventies. In 1970, Law 300 regulated the "statute of workers' rights". Under this statute all firms with more than 15 employees are required to sum up workers and compensate them for lost wages in case of unjust dismissals, while firms with less than 15 employees were completely exempted from these new employment regimes.

In order to streamline costs for large firms, fixed-term contracts for certain target of workers were introduced in 1987. In 1990 dismissal restrictions for workers holding open ended contracts in firms with less than 15 employees were extended as well. Law 108/1990 introduces severance payments for firms with no more than 15 employees, ranging from 0 to 2.5/6 months of pay earned during the employment relationship, while leaving completely unchanged existing rules for large firms.

In the year of EPL reform, maternity protection legislation was regulated by law 1204/1971, aimed at avoiding unjust firm's decisions around child birth.

Also, all women regardless of firm size, sectors and tenure are allowed to paid mandatory maternity leave.

During motherhood, public administration pays the 80 percent of remuneration to the worker and the residual 20 percent is charged to employers when provided by collective agreement. It is also forbidden to laying off women for a period of 21 months, from the beginning of their pregnancy (9 months) until one year after birth (12 months), except in some extreme case.

3. Data

The presented empirical analysis is based on administrative data coming from the Work Histories Italian Panel (WHIP) which are linked employer-employee data containing several information on workers and firms' characteristics. This dataset is an unbalanced panel covering a 1:90 random sample of employees' working history. We use the part of the survey covering dependent workers in private sector and, in this specific case, the dataset provides information concerning individual characteristics such as gender, age, starting and final date of employment spell, number of days worked, occupational qualification, type of contract, maternity episodes and other benefits. For each worker we can also observe the firm in which the worker is employed in and its characteristics like plants' dimension, industry, starting and final date of activity, localization at region level and collective agreement code.

For our analyses we restrict the sample to all workers with an open ended contract between the ages of 20 and 55, who receive a valid pay between 1989 and 1993. Fixed term contracts are excluded as the new dismissal provisions concern only long-term contracts.

The final sample includes an unbalanced panel of about 60,000 observations over 4 years. Further, we restrict our sample to female workers – firms' observations for which information is available at least once during the observed period. Table 1 provides summary statistics for women' sample which consists of 12,358 pre-reform observations in small firms and 4,840 in large, 19,542 observations in small firms and 7,895 in large ones during the post reform period. A few differences are worthy of note, the wage is before the reform of about €254 per week in both large and small firms, while after reform is larger for small ones. The average age is around 32 and the share of white collars is higher in small plants. The sector with more observations is manufacturing.

4. Identification strategies

We are interested in estimating the impact of an increase in employment protection on flows and wages of working women. For our purposes we follow two different approaches. First of all, we aim at estimating the probability of getting out from employment status before and after the 1990 reform. After, we focus on the effect that the same reform has on wages of women who actually were exposed to increased levels of protection. Consider the following equation:

$$E_status_{ijt} = \delta X_{ijt} + \beta_1 Small_{jt} + \beta_2 Post_t + \beta_3 (Small_{jt} * Post_t) + \beta_4 Women_i + \beta_5 (Women_i * Post_t) + \beta_6 (Women_i * Small_{jt}) + \beta_7 (Small_{jt} * Post_t * Women_i) + \varepsilon_{ijt} \quad (1)$$

Where E_status^2 is a dummy equal to 1 if at time t the worker gets out from employment status and 0 if not. The Small dummy indicates the number of employees in the firm and is equal to 1 if it is at most 15, 0 otherwise. The term Post is equal to unitary if $t > 1990$ and 0 when $t < 1990$, while Women is the gender identification dummy and it's 1 if the worker is female. X is a matrix of observable that includes maternity allowances, dummies for regions, qualification, part-time, age cohort and sectors. The coefficient of the interaction ($Small_{jt} * Post_t * Women_i$) catches variations on the probability of getting out from employment status for women in small firms after the reform.

In order to estimate the effect on women' wages of the introduction of stringent levels of protection even in small firms, we than exploit the sharp discontinuity in EPL at the 15 employee threshold. Until 1990 the code provided no protection for workers employed in firms with up to 15 employees and high protection for those employed in firms with no more than 15.

The across firms and over time variation allow us to setup a difference-in-differences approach (DiD), in order to compare wages perceived by women working in firms with up to 15 employees before and after the reform with wages perceived by women employed in firms with more than 15 employees, capturing the effect on wages due to dismissal costs introduction.

If workers and firms were exogenously assigned to the treatment and control groups, ordinary least squares (OLS) estimates of the following model would identify the causal effect of EPL on wages:

$$w_{ijt} = \delta X_{ijt} + \beta_1 Small_{jt} + \beta_2 (Small_{jt} * Post) + \varepsilon_{ijt} \quad (2)$$

$Small_{jt} = 1$ (if the number of employees is ≤ 15 in t)

$Post = 1$ (if time is more than 1990)

The outcome variable is the logarithm of the mean of weekly wage paid to worker i in firm j at time t . The Post is equal to 1 since 1991, 0 before. Small is the dummy that takes value of 1 if the employment relation holds in firms with up to 15 employees and 0 if the employees are more than 15.

The coefficient associated with the interaction between the two variables will identify wages received by women in small firms after the reform, hence captures the effect on wages of the 1990's reform. The X matrix includes a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies that control for possible macroeconomic shocks and allow interaction identification.

The estimate of equation (2) by OLS, however, does not control for all individual and firm unobserved component that may affect propensity of workers and firms to self-select in or out the treatment, confounding our results.

² The available data contain annual job information. For each individual the work history is observed with a record every active job during the year. We are able to observe if a worker has a stable economic relationship within the same firm, if he/she moves from a firm to another or if he/she gets out from employments status.

For this reason, we control for individual and firm specific component applying fixed effects model. In addition, even if the fixed effects models check for any bias from omitted variables, they do not account for selection due to the reform itself. One possible threat is the endogenous sorting of workers into the treatment. Workers might choose their own level of protection by selecting the dimension of the firm they work for.

In order to assess the validity of our models, we perform balancing tests of observable variables that affect wages at the 15 employees threshold by following the specification of the equation (3).

In the same vein, it also could happen that what we interpret as causal effect between wages and EPL variation actually reflects a different composition of more/less protected workers groups. Suppose, for example, that highly productive workers are employed in highly protective firms, a positive effect on wages could wrongly be interpreted as the effect of the policy. To consider this potential source of bias, we estimate the probability of workers to move above or below the threshold on a series of variables, better specified by equation (4).

Finally, another threat to our model identification is the idea that trade-offs between wages and employment protection could easily be influenced by external fertility decisions.

Women workers could easily pose a threat in term of costs, since at some point of their career they might be influenced by fertility decisions. In such a case, employers will have to pay 20 percent of perceived wage to the employee when provided by collective bargaining agreement. Also, employer will replace the worker with new employment or will have to extra pay to workers in firm. The way we choose to account for this issue, is based on the idea that weaker women in this case are the ones whose characteristics make them more likely to undertake maternity choices. Equation (2) will, step by step, refined in order to:

- Exclude from the sample observations on women who have already benefited from maternity allowance;
- Exclude from the sample observations on women who have already benefited from maternity allowance and who exceed 40 years old;
- Consider women who have already received a maternity allowance, but at least 4 years before the observed year;
- Exclude from the sample women who have already received a maternity allowance with more than 49 years (Istat: maximum age for the creation of the total fertility rate) and check for the total fertility rate;
- Assess the impact of the policy on the entry wage of new employment contracts.

5. Sorting issues

In order to account for the sorting of workers into the epl regimes, we consider whether characteristics such as age, sector, and qualification are balanced at the threshold of 15 employees in the comparison between post and pre-reform, estimating the following equation:

$$X_{it} = \beta_1 Small_{jt} + \beta_2 (Small_{jt} * Post) + \sum_{k=1-n} (\phi Firm Size) + \varepsilon_{ijt} \quad (3)$$

$Small_{jt} = 1$ (if the number of employees is ≤ 15 in t)

$Post = 1$ (if time is more than 1990)

X is a vector of observable workers characteristics each of which is used as dependent variable in every repeated regression. the Post variable is equal to 1 since 1991 and 0 before. Small is the dummy that assumes value 1 if the employment relationship is held in firms with up to 15 employees and 0 if the employees are more than 15. All specifications include a polynomial of second degree in firm size at first stage of estimation and one of third degree in the second one. If workers were endogenously assigned to the treatment we would expect a statistically significant coefficient associated with the interaction variable that should catch the EPL variation effect (Small*Post). Among results reported in Table 2 only the trade sector has a slight significance at the threshold of 15 employees.

We further test the correct identification of our models by estimating the probability of moving from a large or small firm according to the following specification:

$$Mover_{ij^*t} = \delta X_{ijt} + \beta_1 Small_{jt-1} + \beta_2 Year_t + \beta_3 Productive_i + \beta_4 (Small_{jt-1} * Year_t) + \beta_5 (Productive_i * Year_t) + \beta_4 (Small_{jt-1} * Year_t * Productive_i) + \varepsilon_{ijt} \quad (4)$$

Where Mover is equal to 1 if at time t the worker moves from firm j to firm j^* (first column table 3) which has more than 15 employees or to firm j^* which has less than 15 employees (second column in table 3). The Small dummy indicates the number of employees present in the firm of origin and is equal to 1 if it is at most 15. The term Year indicates a set of time dummies, while Productive is the fixed component of the average pre-reform wage regressed on age, a polynomial of third degree in firm size and time dummies. X is a matrix of observable that includes the squared age variable and sectors.

The results show that there is a low propensity of moving from a firm to another after the reform, the interaction between the size of the firm of origin and the year variables show negative and significant coefficients. In addition, except for 1991, which has a slight negative significance, the likelihood of moving from small to large firms as well as small to small seems to be not driven by individual features related to pre-reform productivity of workers.

6. Results

Estimated results of equation (1) are shown in Table 4 and do not reveal any significant effect of the Epl reform on the probability of getting out from employment status if there is no gender status identification. The coefficient of the interaction between the treatment and the group of working women, however, is significant and show a negative propensity of getting out from employment status in small firms after the

reform. The introduction of severance payments, therefore, seems to protect more women workers than men.

Table 5 reports regression results from estimation of equation (2). The coefficient of the interaction term identifies wages earned by women performing their work in firms with up to 15 employees after the introduction of the EPL reform.

In Panel (a) the reform year (1990) is excluded, while panel (b) replicates exercises with its inclusion.

Estimates are also repeated in order to control for individual's fixed effects, firm's fixed effects and both, respectively in columns (1), (2) and (3).

All specifications include a polynomial of third degree in firm size and controls for age, sectors, years and qualification. Robust standard errors clustered at individual level are reported.

Results in Panel (a) are not statistically significant suggesting that after the reform women in firms just below the 15 employees' threshold do not perceive different wages than their counterpart.

However, as results in panel (b) which include the reform year suggest, women's wages gained in small firms perform an increase of 1.9% compared with those belonging to the control group of workers.

This result may be related to the so-called "announcement effect" that seems to begin in January 1990. Even though, since the reform actually took place in May 1990, the effect on wages could be a mix between pre and post reform wages.

In addition, when analyzing the female labor market, the trade-off between wages and employment protection levels may be influenced by external factors such as decisions about fertility or family choices in general. Both considerations could lead to biased estimates, which motivates us to new controls.

6.1 Is maternity leave a threat for employer?

Women workers may at some point of their career manifest "fertility" needs.

Although only 20% of maternity leave is paid by firms (where provided by CCNL), compulsory work abstinence for motherhood could represent a hypothetical cost for employers in terms of organization. Further, the employer needs to replace the temporarily discovered position with new occupation and therefore pay for training and eventually sustain dismissal costs when the absent worker returns. Alternatively the employer will have to pay extra hours to the rest of the workforce to compensate for the absence of a maternity worker.

Among women workers with a permanent contract therefore, there exists a subgroup that represents a potential cost-threatening to the employer: employees who have not yet received a maternity allowance.

Table 6 shows the results of the equation (2) estimated excluding from the sample all women workers who have already received a maternity allowance.

The coefficient of interest is the interaction variable between the dummy that identifies wages earned by women performing their work in firms below the threshold of the 15 employees and the dummy that assumes units if the period is after the EPL reform.

Panel (a) excludes year 1990, while in panel (b) even 1990 is included. Estimates are repeated in order to control for individual fixed effects, firm fixed effects and both at the same time, respectively, in columns (1), (2) and (3). All specifications include a polynomial of third degree in firm size and control for age, sector, year and White-Collar qualification. Standard Errors are robust and clustered at individual level.

Results in panel (a) show a rise in wages associated with more stringent regimes in small firms after reform. However, the effect is not significant in models with individual fixed effects or firm fixed effects, while it is statistically different from zero in the double fixed effects model, which absorbs variability between individuals and firms. Women workers who are employed with open ended contracts in plants 'dimension with up to 15 employees after the reform receive wages on average 2% higher than their pre-reform or big firms counterparts.

The basic concept is that among women workers, those who are in a relatively weaker wages bargaining position are the ones that most benefit from protections increases.

To support this view, we proceed subsampling our observations on women workers who are most likely to be interested in maternity benefits at some point of their career focusing on the ones up to forty years old who have not yet received a maternity allowance.

Table 7 illustrates the results. The coefficient of interest obtained estimating equation (2) on our new subsample still shows that the introduction of protection in small firms generates an average 2.5% increase in earnings among women. In the same light it would be reasonable to assume that even women who have already benefited of compulsory maternity leave, may decide to have other children.

In this phase, therefore, considering that the average number of years between the birth of the first child and that of the second is about 3 years (Istat, 2014a), we restrict the sample to women who have received a maternity leave allowance at least 4 years before the observed year.

Table 8 supports the foregoing points, highlighting on average a significant increase of women' wages, which are more protected even in small firms from 1990 onwards.

6.2 EPL and fertility decisions

At this stage, we want to deepen the analysis by including the total fertility rate in our models. As a measure of the fertility degree we make use of the standardized (0 mean and 1 variance) annual fertility rate at Italian regions level.

Table 9 shows results of estimates with individual, firms and double fixed effects of equation (2) augmented by the total fertility rate fully interacted with the dummy identifying small firms in post reform, according to the following specification:

$$w_{ijt} = \delta X_{ijt} + \beta_1 \text{Small}_{jt} + \beta_2 (\text{Small}_{jt} * \text{Post}) + \beta_3 (\text{TFT} * \text{Small}_{jt} * \text{Post}) + \varepsilon_{ijt} \quad (3.4)$$

$\text{Small}_{jt} = 1$ (if the number of employees is ≤ 15 in t)

$\text{Post} = 1$ (if time is more than 1990)

where TFT is the total fertility rate, while the other variables are specified as in the previous equations. Women who have already received a maternity allowance, the year of reform (1990) and women with more than 49 of age are out of sample (Istat defines 49 the average age to be used as the maximum limit age of fertility). The fertility rate doesn't influence the impact of the reform on wages.

6.3 EPL and entry wages

The empirical literature on the impact of increased labor protection levels suggests that Insider workers (those who have been employed in the same firm for many years) strengthen their bargaining power as new rules protect them from dismissal risks and wage levels could therefore increase.

With the aim of verifying whether the average effect of reform on women has a different impact on entry wage, we re-specify equation (2) in the following way:

$$w_{ijt} = \delta X_{ijt} + \beta_1 \text{Small}_{jt} + \beta_2 (\text{Small}_{jt} * \text{Post}) + \beta_3 (\text{Entry}_{ijt} * \text{Small}_{jt}) + \beta_4 (\text{Entry}_{ijt} * \text{Post}_t) + \beta_5 (\text{Entry}_{ijt} * \text{Small}_{jt} * \text{Post}_t) + \varepsilon_{ijt} \quad (5)$$

$\text{Small}_{jt} = 1$ (if the number of employees is ≤ 15 in t)

$\text{Post} = 1$ (if time is more than 1990)

The output variable is the logarithm of the average weekly wage paid to worker i in firm j at time t . The Post variable is unitary since 1991, 0 before. Small is a dummy that assumes value of 1 if the employment relationship is held in firms with up to 15 employees and 0 if the employees are more than 15.

Entry is equal to 1 if the observed wage of worker i in firm j at time t is the entry wage. The X matrix includes a polynomial of third-degree in firm size, age dummies, white collars and time dummies in order to control for possible macroeconomic shocks and allow interaction identification.

β_2 identifies the average effect of the reform on wages of Insider women workers, while β_5 identifies the average effect of reform on wages of new entry women workers. Women who have already received a maternity allowance are out of estimation. The estimates in Table 10 suggest a statistically significant effect of the increase in employees' protection for the Insider component, which seems to be able to renegotiate its wages.

However, entry wages suffer a sharp reduction compared to workers who have been working for more than a year in the same firm after the reform. New entrants earn about 6% less in small firms from 1991 onwards.

7. Conclusions

In this study we undertake an analysis of the impact of a reform which introduces severance payments even in small firms on women's flows and wages. We start presenting some evidence on the probability of getting out from employment status after the reform and we highlight that only for women results show a significant and low probability.

In assessing the impact that the same reform has on women's wages the main results are as follows: there is a significant wage increase of about 2% after reform if women have not yet benefitted from maternity allowances and do not exceed 40 years of age. However, the same effect doesn't survive for all women in general and becomes negative when entry wages are considered.

In the light of these heterogeneous results, it can be prudently pointed out that the more the worker is weak, the greater the wage benefit obtained by more protective rules if she has already been sufficiently protected by an indefinite contract. However and in line with the previous literature, new entrants suffer a wage cut of 6% in mean.

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Table 1

Sample Description				
	Pre - Reform		Post - Reform	
	Small	Large	Small	Large
Weekly Real Wage	254.230	254.099	266.883	264.154
N. Employees	9.255	19.861	9.165	19.861
White - Collars	0.400	0.300	0.417	0.331
Movers	0.162	0.149	0.159	0.146
Age	31.958	32.325	32.405	32.560
Manufacturing	0.529	0.705	0.508	0.673
Electricity, Gas and Water	0.001	0.001	0.001	0.002
Trade	0.228	0.144	0.225	0.150
Hotel and Restourant	0.114	0.061	0.120	0.067
Transport&communication	0.010	0.007	0.011	0.011
Intermediation	0.094	0.063	0.111	0.077
Services	0.025	0.020	0.024	0.020
Maternity Allowance	0.037	0.044	0.044	0.043
Obs	12358	4840	19542	7895

Table 2

Balancing tests

→	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Second degree polynomial									
Small*Post	0.0114 0.0236	-0.0005 0.0045	0.0000 0.0000	-0.0069* 0.0039	0.0029 0.0025	0.0017 0.0013	0.0022 0.0033	0.0005 0.0022	-0.0049 0.0043
Third degree polynomial									
Small*Post	0.0109 0.0236	-0.0004 0.0045	0.0000 0.0000	-0.0069* 0.0039	0.0029 0.0025	0.0017 0.0013	0.0021 0.0033	0.0005 0.0022	-0.0049 0.0043

Note: (1) age; (2) Manufacturing; (3) Electricity, Gas and Water; (4) Trade; (5) Hotel&Restourant; (6) Transport&communication; (7) Intermediation; (8) Services; (9) qualification. Levels of significance: * 10%; ** 5%; 1%.

Table 3

Propensity to self-select into the treatment						
Mover:	(1)			(2)		
	Small→Large			Small→Large		
Small	0.3366	<i>0.0803</i>	***	0.3366	<i>0.0803</i>	***
Small 1990	-0.3237	<i>0.1295</i>	**	-0.3237	<i>0.1295</i>	**
Small 1991	-0.3988	<i>0.1709</i>	**	-0.3988	<i>0.1709</i>	**
Small 1992	-0.9112	<i>0.2547</i>	***	-0.9112	<i>0.2547</i>	***
Small 1993	-0.7161	<i>0.2557</i>	**	-0.7161	<i>0.2557</i>	**
Productive	-0.0997	<i>0.1336</i>		-0.0997	<i>0.1336</i>	
Productive Small	-0.2174	<i>0.2670</i>		-0.2174	<i>0.2670</i>	
Productive 1990	0.2303	<i>0.2158</i>		0.2303	<i>0.2158</i>	
Productive 1991	0.0930	<i>0.2229</i>		0.0930	<i>0.2229</i>	
Productive 1992	-0.1384	<i>0.2638</i>		-0.1384	<i>0.2638</i>	
Productive 1993	-0.2964	<i>0.2786</i>		-0.2964	<i>0.2786</i>	
Productive 1990Small	-0.5517	<i>0.4488</i>		-0.5517	<i>0.4488</i>	
Productive 1991Small	-1.2132	<i>0.6166</i>	*	-1.2132	<i>0.6166</i>	*
Productive 1992Small	0.9937	<i>1.0839</i>		0.9937	<i>1.0839</i>	
Productive 1993Small	0.3108	<i>0.7677</i>		0.3108	<i>0.7677</i>	

Note: Column (1): propensity of moving from small to large firms; Column (2): propensity of moving from small to small firms; All specifications include squared age variable, time dummies and sectors. Robust standard errors in italics on the right side of coefficients; *Levels of significance*: * 10%; ** 5%; 1%.

Table 4

Propensity to get out from employment status			
E-Status:			
Small	0.0556	<i>0.0302</i>	*
Post	0.0663	<i>0.0372</i>	*
Small*Post	0.0184	<i>0.0409</i>	
Women	0.0740	<i>0.0412</i>	*
Small*Women	0.0329	<i>0.0475</i>	
Post*Women	0.0920	<i>0.0574</i>	
Post*Small*Women	-0.1172	<i>0.0669</i>	*

Note: E-status=1 if the worker gets out from the employment status. Robust standard errors in italics on the right side of coefficients; *Levels of significance*: * 10%; ** 5%; 1%.

Table 5

<i>Average Effect of EPL on wages - 1990</i>			
	(1)	(2)	(3)
Panel (a): Excluding 1990			
Small*Post	0.0142 <i>0.0115</i>	0.0128 <i>0.0119</i>	0.0174 <i>0.0107</i>
Obs	35875	35875	26622
R.sq	0.6383	0.6339	0.7445
Panel (b): Including 1990			
Small*Post	0.0152 * <i>0.0083</i>	0.0167 * <i>0.0087</i>	0.0193 ** <i>0.0081</i>
Obs	44635	44635	36124
R.sq	0.6280	0.6258	0.7305
Note: Robust Standard Error clustered at individual level; all specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; Levels of significance: * 10%; ** 5%; 1%.			

Table 6

<i>Average Effect of EPL on wages - 1990 (Excluding who benefitted from maternity allowances)</i>			
	(1)	(2)	(3)
Panel (a): Excluding 1990			
Small*Post	0.0175 <i>0.0110</i>	0.0164 <i>0.0112</i>	0.0205 ** <i>0.0080</i>
Obs	34371	34371	25116
R.sq	0.6908	0.6882	0.7855
Panel (b): Including 1990			
Small*Post	0.0159 ** <i>0.0078</i>	0.0177 ** <i>0.0080</i>	0.0202 *** <i>0.0057</i>
Obs	42766	42766	34199
R.sq	0.6841	0.6840	0.7759
Note: Robust Standard Error clustered at individual level; women who have already benefited from maternity allowances are excluded. All specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; Levels of significance: * 10%; ** 5%; 1%.			

Table 7

Average Effect of EPL on wages - 1990 (Excluding who benefitted from maternity allowances with more than 40 years old)

	(1)	(2)	(3)
Small*Post	0.0214 * <i>0.0130</i>	0.0222 * <i>0.0131</i>	0.0257 ** <i>0.0116</i>
Obs	26826	26826	18829
R.sq	0.6811	0.684	0.7783

Note: Robust Standard Error clustered at individual level; women who have already benefitted from maternity allowances with more than 40 years old are excluded. All specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; *Levels of significance: * 10%; ** 5%; 1%.*

Table 8

*Average Effect of EPL on wages - 1990
(at least 4 years since motherhood)*

	(1)	(2)	(3)
Small*Post	0.0221 ** <i>0.0112</i>	0.0208 * <i>0.0115</i>	0.0255 ** <i>0.0104</i>
Obs	34951	34951	25778
R.sq	0.6617	0.6577	0.7629

Note: Robust Standard Error clustered at individual level; women who have benefitted from maternity allowances at least 4 years before. All specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; *Levels of significance: * 10%; ** 5%; 1%.*

Table 9

<i>Average Effect of EPL on wages - 1990 (TFT)</i>			
	(1)	(2)	(3)
Small*Post	0.02019 *	0.02160 *	0.02438 **
	<i>0.01176</i>	<i>0.01203</i>	<i>0.01074</i>
Small*Post*TFT	0.00261	0.00382	0.0038
	<i>0.00577</i>	<i>0.00599</i>	<i>0.00534</i>
Obs	31556	31556	22719
R.sq	0.6814	0.6831	0.7803

Note: Note: Robust Standard Error clustered at individual level; TFT is the standardized total fertility rate (the average number of children per woman (age 14 – 49)). All specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; *Levels of significance: * 10%; ** 5%; 1%.*

Table 10

<i>Average Effect of EPL on wages - 1990 (Entry wages)</i>			
	(1)	(2)	(3)
Small*Post	0.0314 ***	0.02849 **	0.028218 ***
	<i>0.01168</i>	<i>0.01197</i>	<i>0.01085</i>
Entry	-0.0708 **	-0.07193 **	-0.048605 *
	<i>0.0306</i>	<i>0.02830</i>	<i>0.026431</i>
Entry*Small	0.0378	0.03621	0.01317
	<i>0.0339</i>	<i>0.03193</i>	<i>0.029840</i>
Entry*Post	0.0594 *	0.06058 **	0.038996
	<i>0.03442</i>	<i>0.03104</i>	<i>0.030117</i>
Small* Entry*Post	-0.05419	-0.061977 *	-0.02894
	<i>0.0377</i>	<i>0.03526</i>	<i>0.034104</i>
Obs	30155	30155	23304
R.sq	0.6932	0.6881	0.3525

Note: Robust Standard Error clustered at individual level; women who have already benefited from maternity allowances are excluded. All specifications include a polynomial of third-degree in firm size, age dummies, white collars, sectors and time dummies (1) individuals' fixed effects; (2) firms' fixed effects; (3) individual and firm' fixed effects; *Levels of significance: * 10%; ** 5%; 1%.*