

# LABOR REGULATION AND TEMPORARY AGENCY WORKERS

## FIGURES AND TABLES

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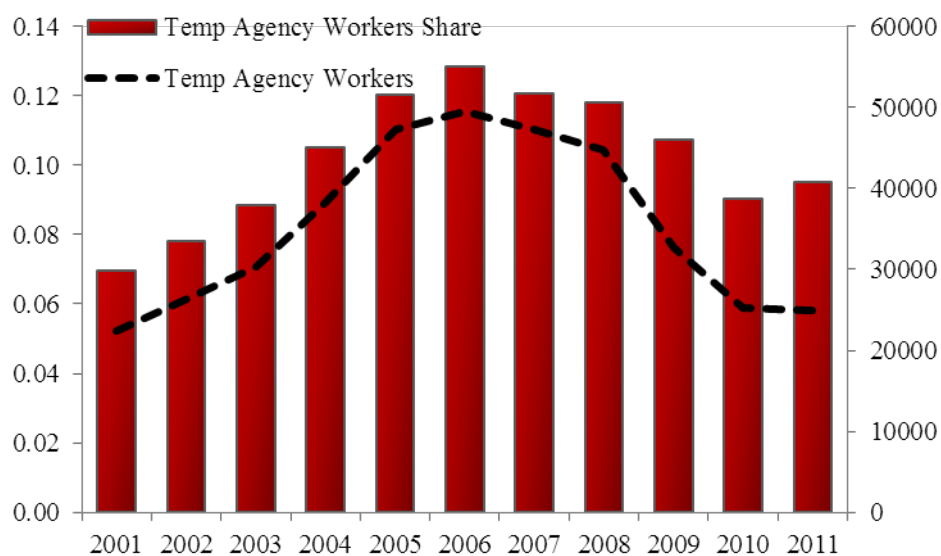
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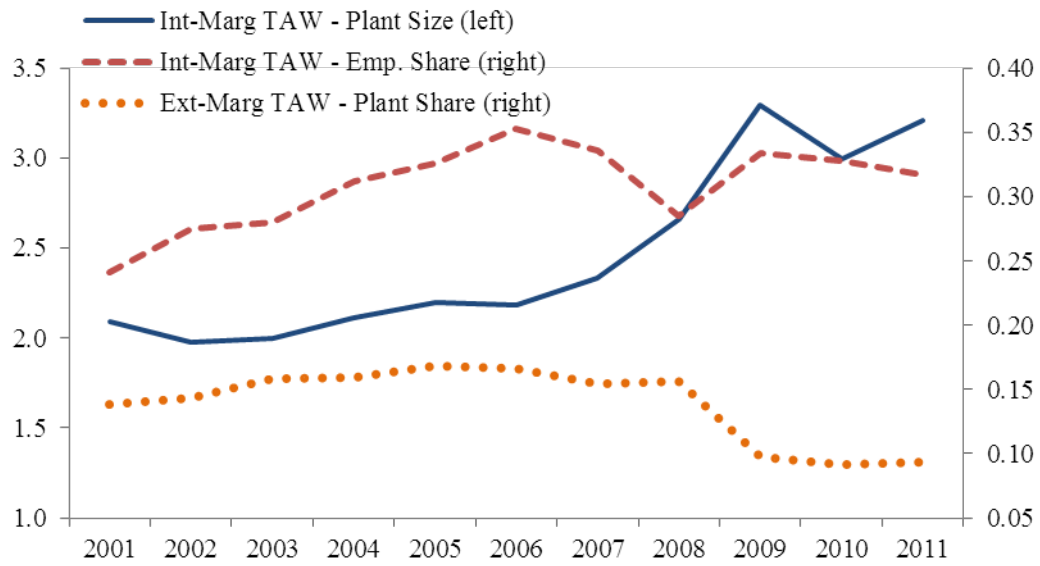
Figure I: Number and Share of Temporary Agency Workers (TAW)



Note: Agency Workers Share is defined as the sum of TAW divided by the total of workers.

Source: Authors' construction using ENIA.

Figure II: Intensive and Extensive Margins for Temporary Agency Workers

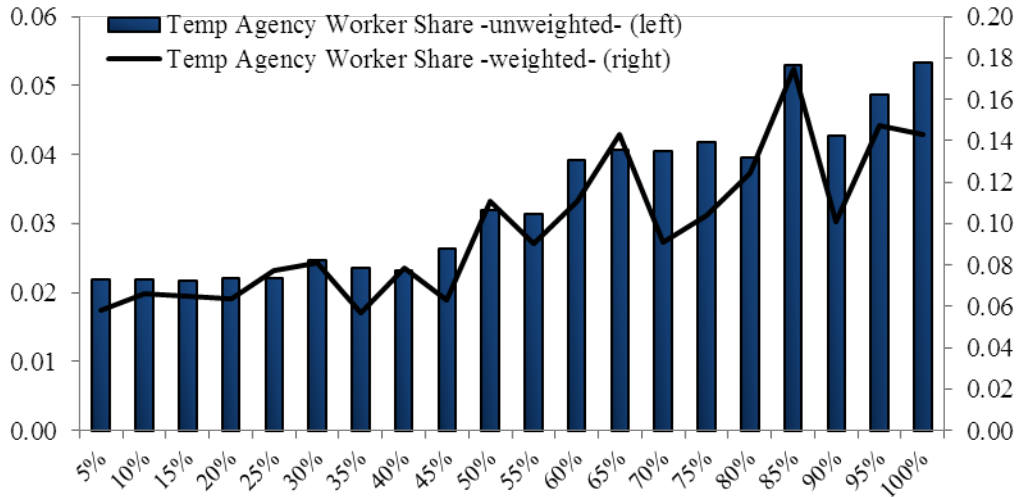


Note: Int-Marg TAW – Plant Size: Size of Firms with agency workers relative to the size of all firms.  
 Int-Marg TAW – Emp. Share: Share of agency workers in firms with agency workers.  
 Ext-Marg TAW - Plant Share: Share of manufacturing firms with agency workers

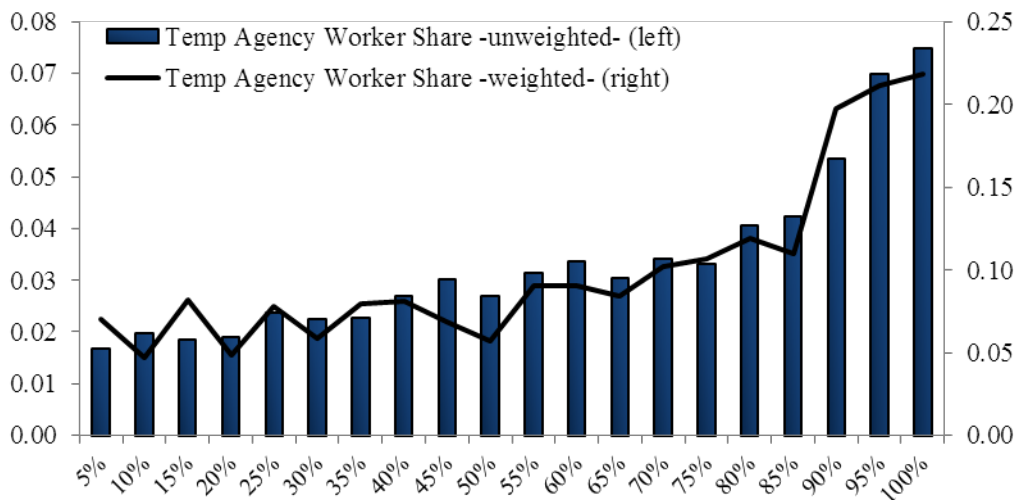
Source: Authors' construction using ENIA.

Figure III: Share of Temporary Agency Workers and Volatility

A: Quantiles of Plant Volatility (SD dl VA)



B: Quantiles of Plant Volatility (SD dl Emp)



Note: Period 2001-2011. Quantiles are computed per year. We exclude plants with non-positive value added.

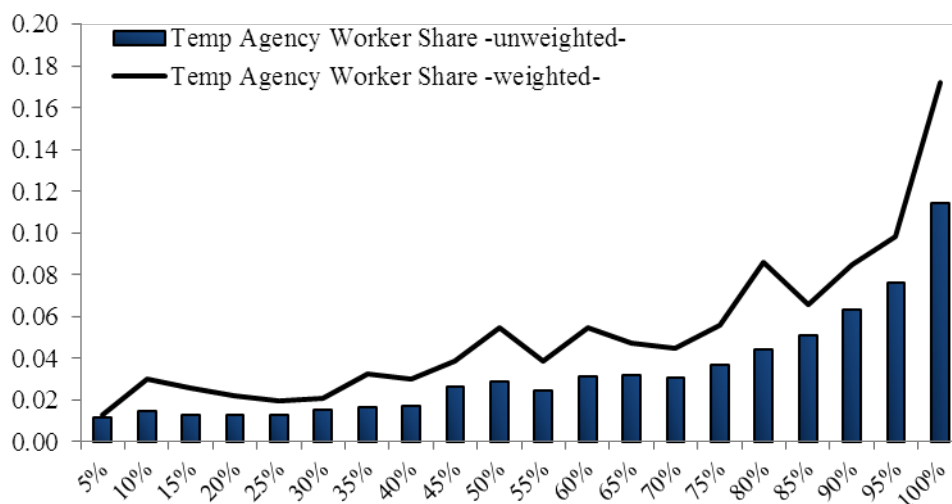
We also drop the top 1% extreme value of volatility as measured by employment and value added.

Source: Authors' construction using ENIA.

Figure IV: Share of Temporary Agency Workers and Plant Size

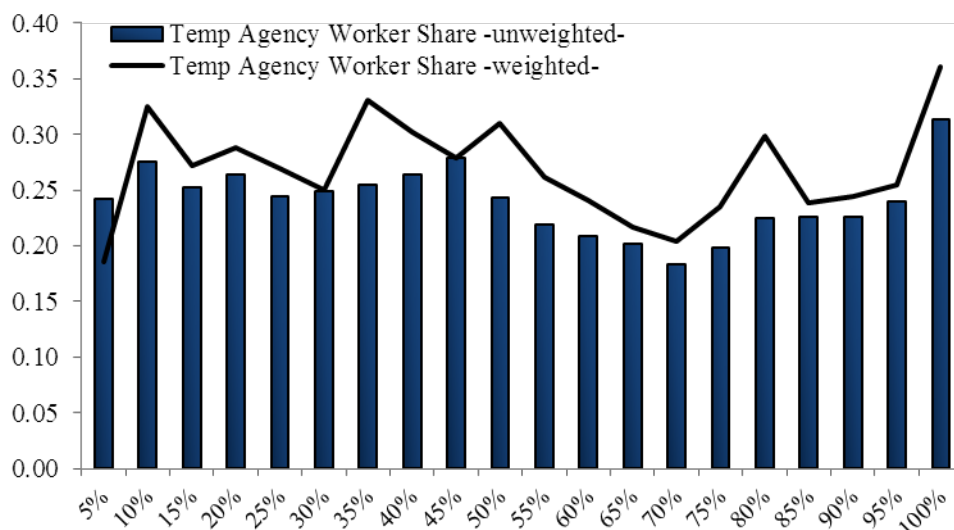
A: Quantiles of Plant Size (log VA)

Share for All Plants



B: Quantiles of Plant Size (log VA)

Share for Plants with at least one Temporary Agency Worker

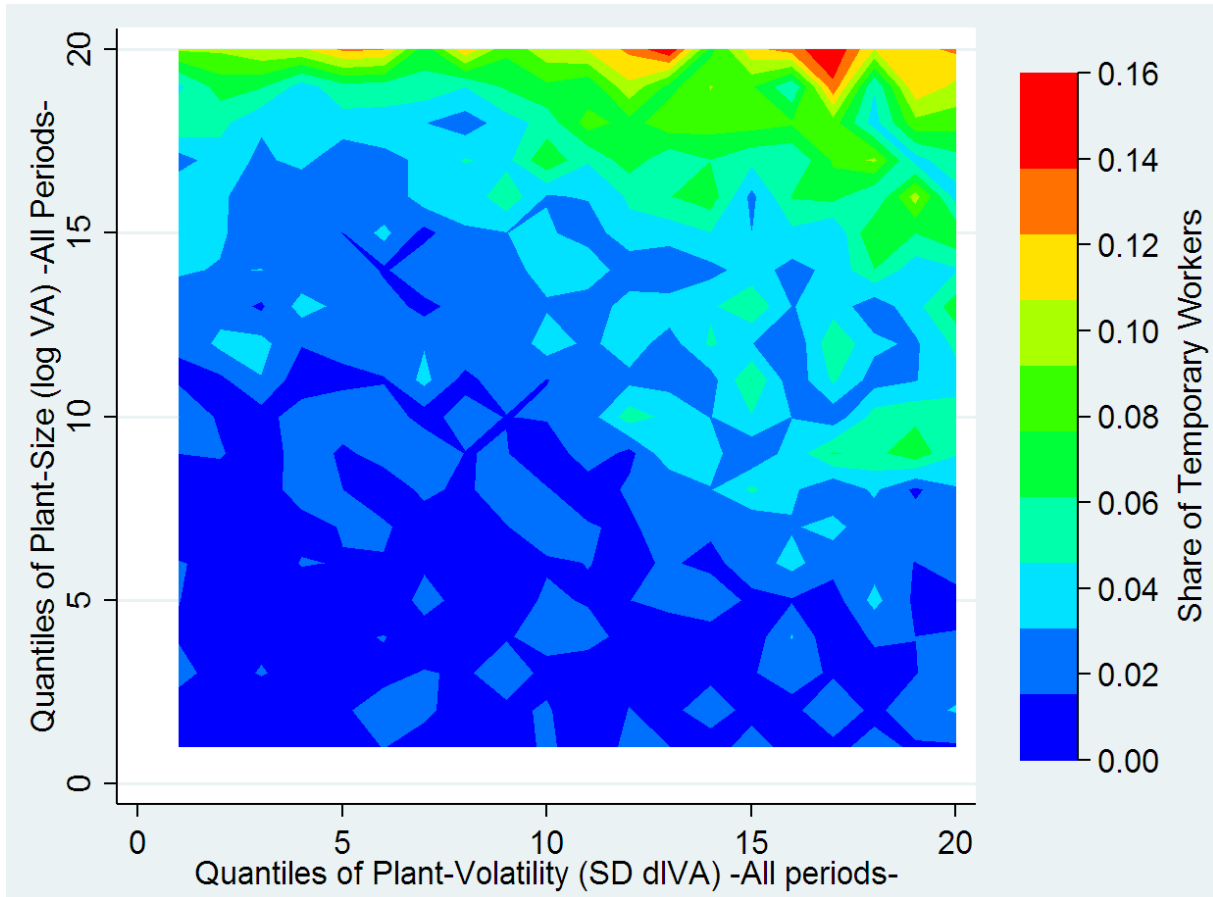


Note: Period 2001-2011. Quantiles are computed per year. We exclude plants with non-positive value added. We also drop the top 1% extreme value of volatility measured by employment and value added.

Source: Authors' construction using ENIA

Figure V: Share of Temporary Agency Workers, Plant-Size and Plant-Volatility

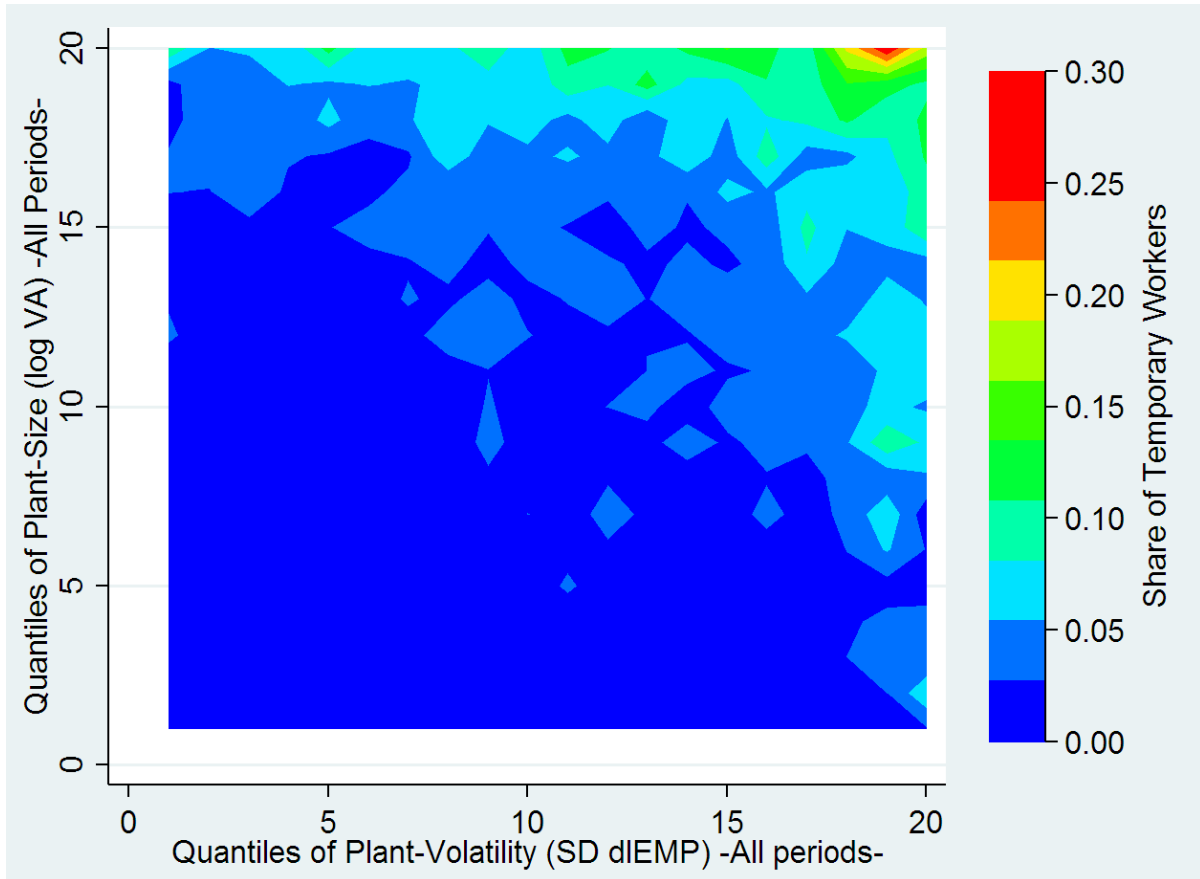
A: Quantiles of Plant Volatility (SD dl VA) and Plant-Size (log VA)



Note: Period 2001-2011. Quantiles are computed yearly. We exclude plants with non-positive value added. We also drop the top 1% extreme value of volatility –measured with employment and value added-.

Source: Authors' construction using ENIA.

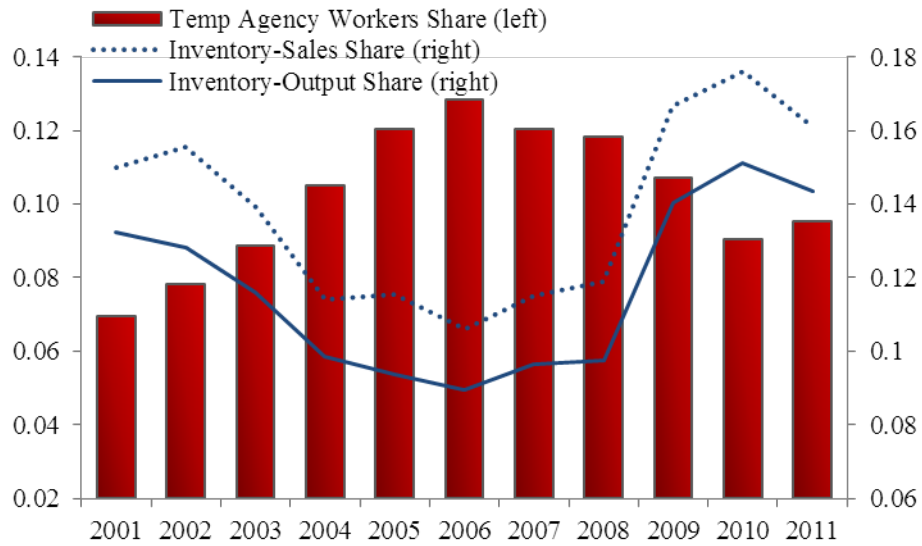
B: Quantiles of Plant Volatility (SD dl EMP) and Plant-Size (log VA)



Note: Period 2001-2011. Quantiles are computed yearly. We exclude plants with non-positive value added. We also drop the top 1% extreme value of volatility –measured with employment and value added-.

Source: Authors' construction using ENIA.

Figure VI: Share of Temporary Agency Workers and Inventories

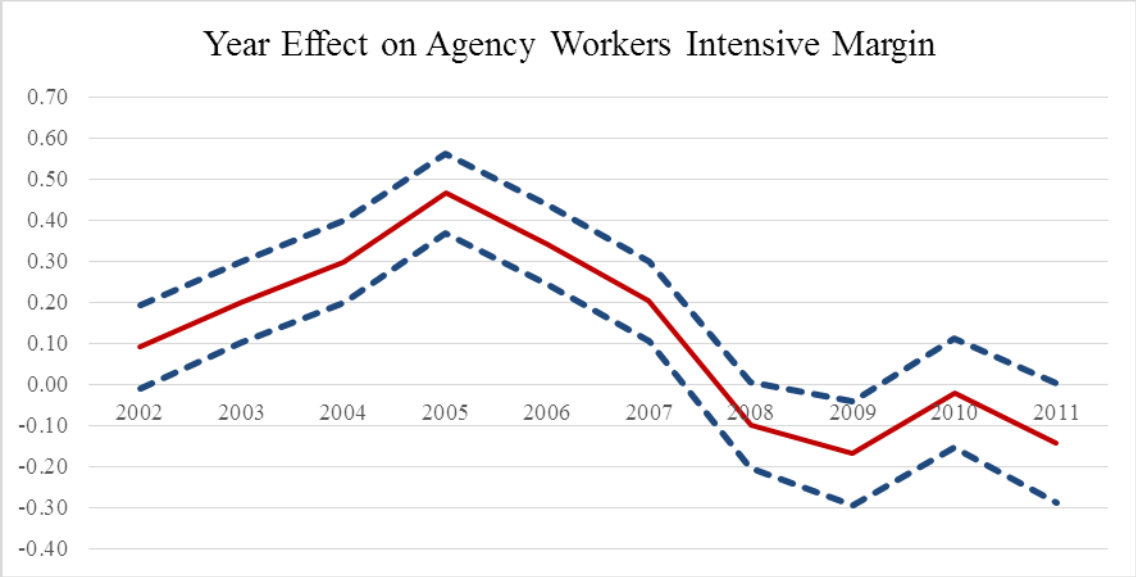


Note: Agency Worker Share is defined as the sum of TAW divided by total manufacturing workers. Inventory Share is defined as the average value of the Existences divided by the total value of sales or output.

Source: Authors' construction using ENIA.

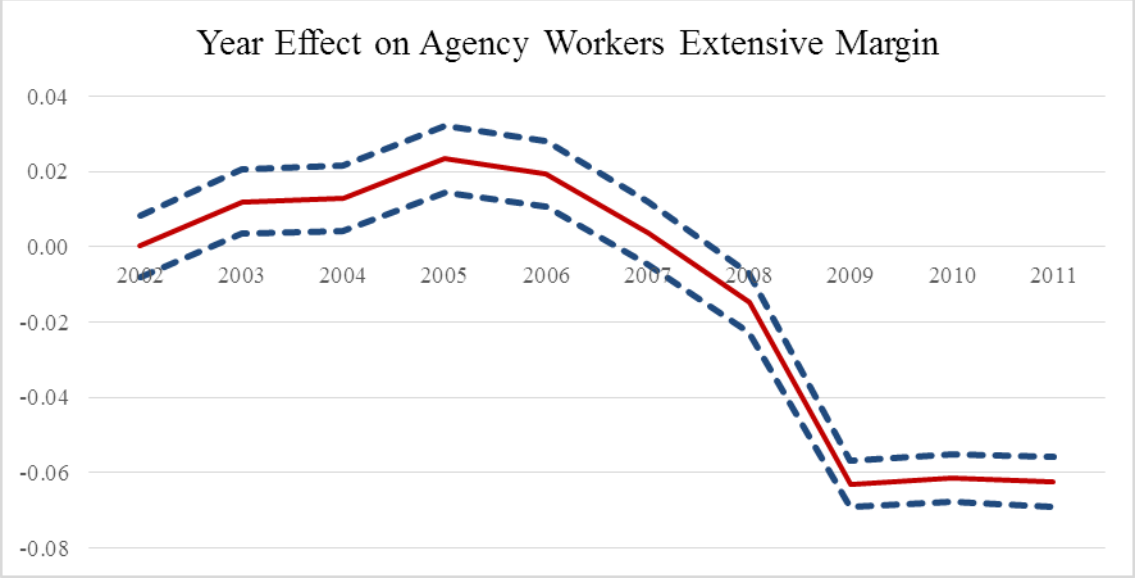
Figure VII: Year Effect on the Use of TAW (intensive and extensive margins)

Figure 7A



Note: coefficients from specification 1, principal equation.

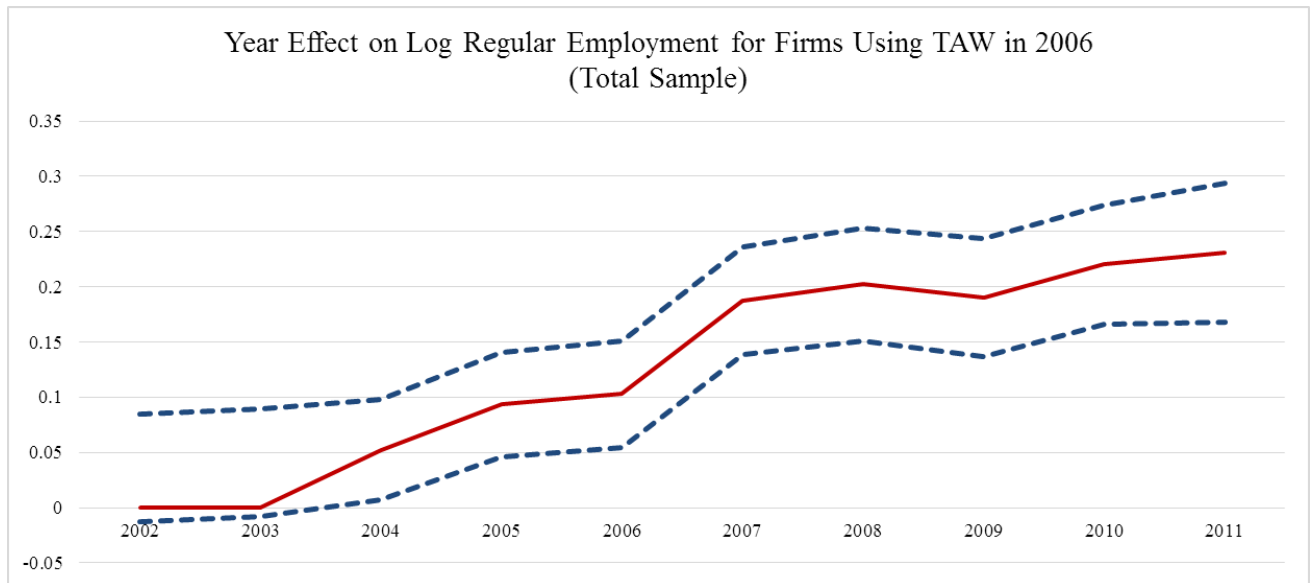
Figure 7B



Note: coefficients from specification 1, selection equation (marginal effects evaluated at the average).

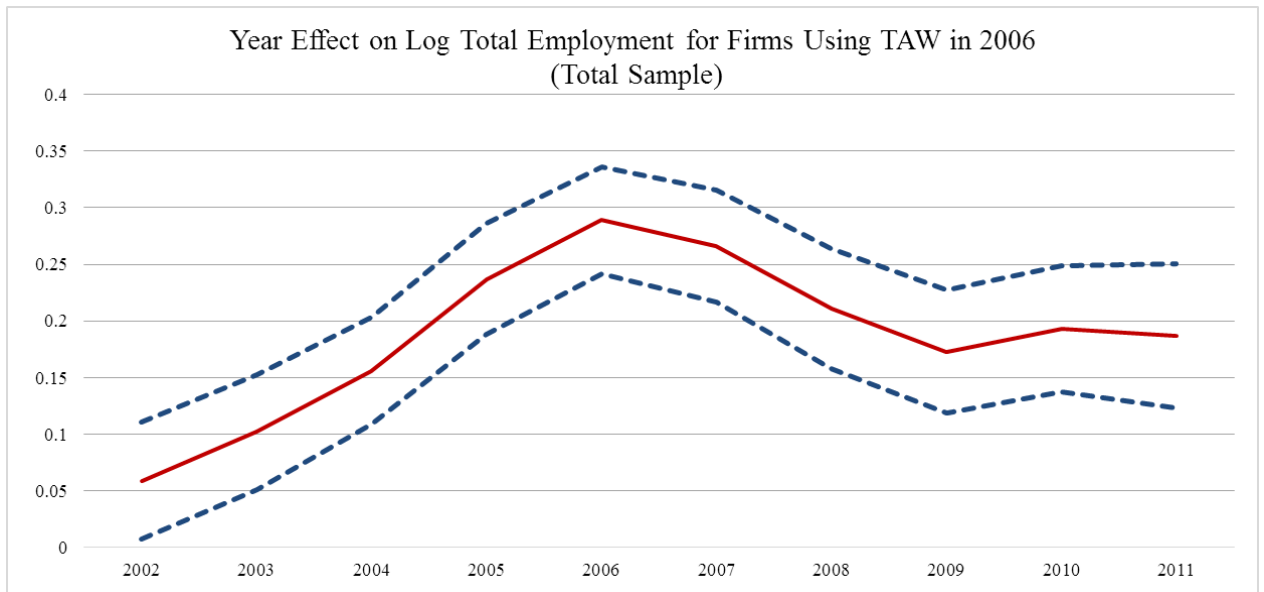


Figure VIII: Year Effect on Log Regular Employment for Firms Using TAW in 2006



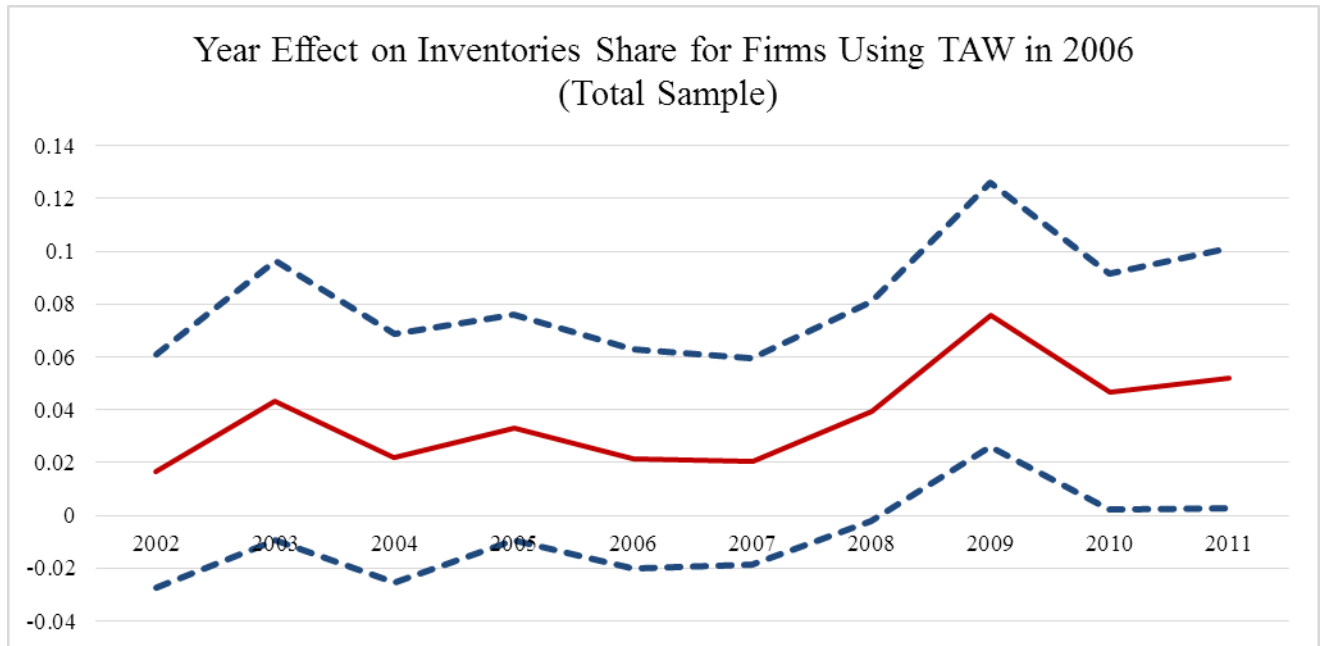
Note: coefficients from column 2, total sample.

Figure IX: Year Effect on Log Total Employment for Firms Using TAW in 2006



Note: coefficients from column 2, total sample.

Figure X: Year Effect on Inventory Share for Firms Using TAW in 2006



Note: coefficients from specification 3.

Table I: Descriptive Statistics

(a) Descriptive Statistics for all Plants

|                                      | (a) All Plants |        |       |        |         |              |
|--------------------------------------|----------------|--------|-------|--------|---------|--------------|
|                                      | Mean           | SD     | Min   | Median | Max     | Observations |
| Total Employment                     | 76.68          | 177.04 | 1.00  | 24.00  | 5510.00 | 34,310       |
| Agency Workers                       | 7.91           | 65.79  | 0.00  | 0.00   | 3797.00 | 34,310       |
| Regular Workers                      | 68.77          | 145.84 | 1.00  | 23.00  | 3541.00 | 34,310       |
| Share TAW                            | 0.03           | 0.11   | 0.00  | 0.00   | 0.93    | 34,310       |
| Ratio TAW (Agency/ Regular)          | 0.07           | 0.40   | 0.00  | 0.00   | 12.67   | 34,310       |
| Value Added (VA)                     | 3.85           | 34.69  | 0.00  | 0.24   | 1801.35 | 34,310       |
| Output                               | 10.24          | 78.00  | -0.09 | 0.72   | 4433.68 | 34,310       |
| Share Inventories                    | 0.19           | 0.27   | 0.00  | 0.11   | 5.47    | 34,307       |
| SD delta log VA                      | 0.54           | 0.46   | 0.00  | 0.40   | 6.03    | 32,994       |
| SD delta log Employment              | 0.23           | 0.20   | 0.00  | 0.17   | 2.69    | 33,138       |
| Elasticity of Substitution by sector | 2.18           | 1.39   | -4.65 | 2.22   | 6.07    | 34,310       |
| Ratio Wages by sector                | 0.63           | 0.13   | 0.26  | 0.62   | 1.76    | 33,648       |

(b) Descriptive Statistics for Plants with TAW

|  | (b) Plants with TAW |        |       |        |         |              |
|--|---------------------|--------|-------|--------|---------|--------------|
|  | Mean                | SD     | Min   | Median | Max     | Observations |
| Total Employment                       | 186.37              | 318.99 | 3.00  | 75.00  | 5510.00 | 4,874        |
| Agency Workers                         | 55.70               | 166.76 | 1.00  | 10.00  | 3797.00 | 4,874        |
| Regular Workers                        | 130.67              | 200.98 | 1.00  | 56.50  | 2151.00 | 4,874        |
| Share TAW                              | 0.23                | 0.20   | 0.00  | 0.16   | 0.93    | 4,874        |
| Ratio TAW (Agency/ Regular)            | 0.50                | 0.94   | 0.00  | 0.20   | 12.67   | 4,874        |
| Value Added (VA)                       | 7.95                | 37.44  | 0.00  | 0.94   | 1398.80 | 4,874        |
| Output                                 | 24.18               | 102.76 | 0.02  | 3.67   | 2624.02 | 4,874        |
| Share Inventories                      | 0.19                | 0.21   | 0.00  | 0.14   | 2.76    | 4,874        |
| SD delta log VA                        | 0.61                | 0.46   | 0.00  | 0.48   | 4.36    | 4,735        |
| SD delta log Employment                | 0.26                | 0.21   | 0.00  | 0.20   | 2.69    | 4,755        |
| Elasticity of Substitution (by sector) | 2.18                | 1.39   | -4.65 | 2.22   | 6.07    | 4,874        |
| Ratio Wages by sector                  | 0.63                | 0.13   | 0.26  | 0.62   | 1.76    | 33,648       |

Note: Descriptive statistics for the sample used for the empirical estimates. As in Figures 3, 4 and 5 we exclude plants with non-positive value added and plants with employment or value added volatility within the top 1%. Additionally we exclude plants with a ratio of temporary agency to regular workers within the extreme top 0.2% and also plants with an inventory share within the top 1%.

Table II: Use of TAW (Intensive and Extensive margins)

|   | Use of TAW (intensive and extensive margins) |  |                                 |  |
|---|--|--|---------------------------------|--|
|   | (1)  |  | (2)                             |  |
|   | Principal Equation<br>Log Ratio              | Selection Equation<br>(Marginal Effects) | Principal Equation<br>Log Ratio | Selection Equation<br>(Marginal Effects) |
| Volatility (SD dlva)                      | 0.494***<br>(0.0491)                         | 0.0370***<br>(0.00385)                   | 0.607***<br>(0.0618)            | 0.0380***<br>(0.00492)                   |
| Volatility*PostReform                     |  |  | -0.321***<br>(0.102)            | -0.00281<br>(0.00786)                    |
| Log Ratio Wages (by sector)               | -0.336**<br>(0.139)                          | -0.00574<br>(0.0109)                     | -0.329**<br>(0.139)             | -0.00566<br>(0.0109)                     |
| Lag Log VA                                | 0.304***<br>(0.0175)                         | 0.0340***<br>(0.00144)                   | 0.302***<br>(0.0175)            | 0.0340***<br>(0.00144)                   |
| Year 2002                                 | 0.0908<br>(0.101)                            | 0.000146<br>(0.00819)                    | 0.0934<br>(0.100)               | 0.000125<br>(0.00819)                    |
| Year 2003                                 | 0.201**<br>(0.0987)                          | 0.0120<br>(0.00854)                      | 0.198**<br>(0.0987)             | 0.0120<br>(0.00855)                      |
| Year 2004                                 | 0.299***<br>(0.100)                          | 0.0128<br>(0.00863)                      | 0.301***<br>(0.100)             | 0.0129<br>(0.00864)                      |
| Year 2005                                 | 0.466***<br>(0.0966)                         | 0.0234***<br>(0.00887)                   | 0.473***<br>(0.0964)            | 0.0234***<br>(0.00887)                   |
| Year 2006                                 | 0.340***<br>(0.0980)                         | 0.0194**<br>(0.00872)                    | 0.346***<br>(0.0978)            | 0.0195**<br>(0.00873)                    |
| Year 2007                                 | 0.203**<br>(0.0965)                          | 0.00368<br>(0.00821)                     | 0.389***<br>(0.113)             | 0.00542<br>(0.00942)                     |
| Year 2008                                 | -0.0991<br>(0.105)                           | -0.0149*<br>(0.00782)                    | 0.0942<br>(0.120)               | -0.0134<br>(0.00886)                     |
| Year 2009                                 | -0.168<br>(0.127)                            | -0.0630***<br>(0.00607)                  | 0.0312<br>(0.141)               | -0.0619***<br>(0.00683)                  |
| Year 2010                                 | -0.0211<br>(0.133)                           | -0.0614***<br>(0.00634)                  | 0.190<br>(0.145)                | -0.0603***<br>(0.00701)                  |
| Year 2011                                 | -0.144<br>(0.145)                            | -0.0625***<br>(0.00663)                  | 0.0673<br>(0.158)               | -0.0614***<br>(0.00727)                  |
| Elasticity of Substitution<br>(quantiles) | 0.0171<br>(0.0179)                           | -0.00875***<br>(0.00147)                 | 0.0171<br>(0.0179)              | -0.00873***<br>(0.00148)                 |
| Fixed Cost Threshold<br>(pc VA < 54)      |  | -0.0694***<br>(0.00509)                  |                                 | -0.0694***<br>(0.00510)                  |
| Constant                                  | -8.755***<br>(0.329)                         |  | -8.778***<br>(0.331)            |  |
| Athrho                                    |  | 1.214***<br>(0.0607)                     |                                 | 1.204***<br>(0.0610)                     |
| Lnsigma                                   |  | 0.678***<br>(0.0281)                     |                                 | 0.672***<br>(0.0283)                     |
| Observations                              | 31,097                                       | 31,097                                   | 31,097                          | 31,097                                   |

NOTE: Robust standard errors in parentheses; \*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

Table III: Share of TAW

|                       | Share TAW               |                         |                         |                        |
|-----------------------|-------------------------|-------------------------|-------------------------|------------------------|
|                       | (1)                     | (2)                     | (3)                     | (4)                    |
| Volatility (SD dlva)  | 0.0119***<br>(0.00330)  | 0.00943***<br>(0.00332) |                         |                        |
| Volatility*Year       | 0.00217**<br>(0.000935) |                         | 0.00140**<br>(0.000667) |                        |
| Volatility*PostReform | -0.0244***<br>(0.00641) |                         | -0.0164***<br>(0.00418) |                        |
| Volatility *2002      |                         | 0.00876<br>(0.00576)    |                         | 0.00553<br>(0.00401)   |
| Volatility *2003      |                         | 0.0158***<br>(0.00611)  |                         | 0.0119***<br>(0.00376) |
| Volatility *2004      |                         | 0.0110*<br>(0.00586)    |                         | 0.00823**<br>(0.00386) |
| Volatility *2005      |                         | 0.0148**<br>(0.00703)   |                         | 0.0122***<br>(0.00430) |
| Volatility *2006      |                         | 0.0119*<br>(0.00698)    |                         | 0.0111**<br>(0.00496)  |
| Volatility *2007      |                         | -0.00455<br>(0.00565)   |                         | 0.000254<br>(0.00423)  |
| Volatility *2008      |                         | -0.00164<br>(0.00611)   |                         | 0.000205<br>(0.00493)  |
| Volatility *2009      |                         | -0.00908*<br>(0.00521)  |                         | -0.00407<br>(0.00424)  |
| Volatility *2010      |                         | 0.00143<br>(0.00635)    |                         | -0.000901<br>(0.00464) |
| Volatility *2011      |                         | 0.00195<br>(0.00592)    |                         | 0.000190<br>(0.00480)  |
| Lag Value Added       | 0.0136***<br>(0.000513) | 0.0136***<br>(0.000512) |                         |                        |
| Constant              | -0.184***<br>(0.00739)  | -0.181***<br>(0.00742)  | 0.0294***<br>(0.00135)  | 0.0303***<br>(0.00128) |
| Observations          | 31,654                  | 31,654                  | 32,994                  | 32,994                 |
| Plant Fixed Effects   | No                      | No                      | Yes                     | Yes                    |
| R-squared             | 0.077                   | 0.077                   | 0.665                   | 0.665                  |
| F-test                |                         | 20.61                   |                         | 16.35                  |
| Prob > F              |                         | 5.65e-06                |                         | 5.28e-05               |

NOTE: All specifications include year and sector fixed effects; Robust standard errors in parentheses;

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table IV: Effect of the Regulation on Regular Employment

|                                      | Regular Employment (Ln) |                        |                       |                      |                         |                       |
|--------------------------------------|-------------------------|------------------------|-----------------------|----------------------|-------------------------|-----------------------|
|                                      | (1)                     |                        | (2)                   |                      | (3) Growth Rate         |                       |
|                                      | A: All Sample           | B: Selected Sample     | A: All Sample         | B: Selected Sample   | A: All Sample           | B: Selected Sample    |
| Dummy TAW in 2006 * Year*Post Reform | 0.00610**<br>(0.00251)  | 0.0143***<br>(0.00320) |                       |                      |                         |                       |
| Dummy TAW in 2006 * Year             | 0.0168***<br>(0.00390)  | -0.00647<br>(0.00505)  |                       |                      |                         |                       |
| Dummy TAW in 2006 *Post Reform       |                         |                        |                       |                      | 0.00712<br>(0.0110)     | 0.0440***<br>(0.0141) |
| Dummy TAW in 2006 *2002 Year Dummy   |                         |                        | 0.0361<br>(0.0249)    | 0.0190<br>(0.0344)   |                         |                       |
| Dummy TAW in 2006 *2003 Year Dummy   |                         |                        | 0.0408<br>(0.0250)    | 0.00584<br>(0.0328)  |                         |                       |
| Dummy TAW in 2006 *2004 Year Dummy   |                         |                        | 0.0524**<br>(0.0231)  | -0.0156<br>(0.0317)  |                         |                       |
| Dummy TAW in 2006 *2005 Year Dummy   |                         |                        | 0.0935***<br>(0.0241) | -0.00193<br>(0.0331) |                         |                       |
| Dummy TAW in 2006 *2006 Year Dummy   |                         |                        | 0.103***<br>(0.0246)  | -0.0256<br>(0.0318)  |                         |                       |
| Dummy TAW in 2006 *2007 Year Dummy   |                         |                        | 0.187***<br>(0.0249)  | 0.0652**<br>(0.0332) |                         |                       |
| Dummy TAW in 2006 *2008 Year Dummy   |                         |                        | 0.202***<br>(0.0259)  | 0.107***<br>(0.0340) |                         |                       |
| Dummy TAW in 2006 *2009 Year Dummy   |                         |                        | 0.190***<br>(0.0273)  | 0.0813**<br>(0.0373) |                         |                       |
| Dummy TAW in 2006 *2010 Year Dummy   |                         |                        | 0.220***<br>(0.0274)  | 0.0835**<br>(0.0377) |                         |                       |
| Dummy TAW in 2006 *2011 Year Dummy   |                         |                        | 0.231***<br>(0.0320)  | 0.112**<br>(0.0472)  |                         |                       |
| Constant                             | 3.393***<br>(0.00646)   | 4.177***<br>(0.0133)   | 3.396***<br>(0.00643) | 4.174***<br>(0.0133) | -0.0538***<br>(0.00715) | 0.00108<br>(0.00856)  |
| Observations                         | 34,310                  | 9,042                  | 34,310                | 9,042                | 29,992                  | 8,145                 |
| R-squared                            | 0.950                   | 0.944                  | 0.950                 | 0.944                | 0.252                   | 0.176                 |
| F-test                               |                         |                        | 124.6                 | 32.92                |                         |                       |
| Prob > F                             |                         |                        | 0                     | 9.98e-09             |                         |                       |

NOTE: All specifications include year and plant fixed effects; Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table V: Effect of the Regulation on Total Employment

|                                      | Total Employment (Ln)   |                         |                       |                       |                         |                        |
|--------------------------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|------------------------|
|                                      | (1)                     |                         | (2)                   |                       | (3) Growth Rate         |                        |
|                                      | A: All Sample           | B: Selected Sample      | A: All Sample         | B: Selected Sample    | A: All Sample           | B: Selected Sample     |
| Dummy TAW in 2006 * Year*Post Reform | -0.0234***<br>(0.00245) | -0.0162***<br>(0.00320) |                       |                       |                         |                        |
| Dummy TAW in 2006 * Year             | 0.0475***<br>(0.00389)  | 0.0243***<br>(0.00511)  |                       |                       |                         |                        |
| Dummy TAW in 2006 *Post Reform       |                         |                         |                       |                       | -0.0849***<br>(0.0113)  | -0.0385***<br>(0.0144) |
| Dummy TAW in 2006 *2002 Year Dummy   |                         |                         | 0.0591**<br>(0.0262)  | 0.0445<br>(0.0354)    |                         |                        |
| Dummy TAW in 2006 *2003 Year Dummy   |                         |                         | 0.102***<br>(0.0260)  | 0.0621*<br>(0.0336)   |                         |                        |
| Dummy TAW in 2006 *2004 Year Dummy   |                         |                         | 0.156***<br>(0.0240)  | 0.0887***<br>(0.0325) |                         |                        |
| Dummy TAW in 2006 *2005 Year Dummy   |                         |                         | 0.237***<br>(0.0249)  | 0.133***<br>(0.0336)  |                         |                        |
| Dummy TAW in 2006 *2006 Year Dummy   |                         |                         | 0.289***<br>(0.0241)  | 0.163***<br>(0.0321)  |                         |                        |
| Dummy TAW in 2006 *2007 Year Dummy   |                         |                         | 0.266***<br>(0.0253)  | 0.139***<br>(0.0337)  |                         |                        |
| Dummy TAW in 2006 *2008 Year Dummy   |                         |                         | 0.211***<br>(0.0269)  | 0.103***<br>(0.0352)  |                         |                        |
| Dummy TAW in 2006 *2009 Year Dummy   |                         |                         | 0.173***<br>(0.0278)  | 0.0545<br>(0.0379)    |                         |                        |
| Dummy TAW in 2006 *2010 Year Dummy   |                         |                         | 0.193***<br>(0.0282)  | 0.0471<br>(0.0387)    |                         |                        |
| Dummy TAW in 2006 *2011 Year Dummy   |                         |                         | 0.187***<br>(0.0324)  | 0.0508<br>(0.0475)    |                         |                        |
| Constant                             | 3.427***<br>(0.00651)   | 4.251***<br>(0.0137)    | 3.434***<br>(0.00649) | 4.263***<br>(0.0136)  | -0.0423***<br>(0.00589) | 0.0543***<br>(0.0117)  |
| Observations                         | 34,310                  | 9,042                   | 34,310                | 9,042                 | 33,393                  | 8,862                  |
| R-squared                            | 0.951                   | 0.944                   | 0.951                 | 0.944                 | 0.236                   | 0.164                  |
| F-test                               |                         |                         | 8.577                 | 1.409                 |                         |                        |
| Prob > F                             |                         |                         | 0.00341               | 0.235                 |                         |                        |

NOTE: All specifications include year and plant fixed effects; Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1



Table VI: Output

|                                      | Product (Ln)             |                        |                       |                      |                        |                       |
|--------------------------------------|--------------------------|------------------------|-----------------------|----------------------|------------------------|-----------------------|
|                                      | (1)                      |                        | (2)                   |                      | (3) Growth Rate        |                       |
|                                      | A: All Sample            | B: Selected Sample     | A: All Sample         | B: Selected Sample   | A: All Sample          | B: Selected Sample    |
| Dummy TAW in 2006 * Year*Post Reform | -0.00879***<br>(0.00241) | -0.000328<br>(0.00304) |                       |                      |                        |                       |
| Dummy TAW in 2006 * Year             | 0.0262***<br>(0.00385)   | -0.00161<br>(0.00494)  |                       |                      |                        |                       |
| Dummy TAW in 2006 *Post Reform       |                          |                        |                       |                      | -0.00812<br>(0.0108)   | 0.00985<br>(0.0137)   |
| Dummy TAW in 2006 *2002 Year Dummy   |                          |                        | 0.0433<br>(0.0263)    | -0.0129<br>(0.0363)  |                        |                       |
| Dummy TAW in 2006 *2003 Year Dummy   |                          |                        | 0.0567**<br>(0.0252)  | -0.0452<br>(0.0341)  |                        |                       |
| Dummy TAW in 2006 *2004 Year Dummy   |                          |                        | 0.106***<br>(0.0251)  | -0.0190<br>(0.0328)  |                        |                       |
| Dummy TAW in 2006 *2005 Year Dummy   |                          |                        | 0.133***<br>(0.0246)  | -0.00469<br>(0.0318) |                        |                       |
| Dummy TAW in 2006 *2006 Year Dummy   |                          |                        | 0.148***<br>(0.0247)  | -0.0143<br>(0.0321)  |                        |                       |
| Dummy TAW in 2006 *2007 Year Dummy   |                          |                        | 0.165***<br>(0.0252)  | -0.00146<br>(0.0334) |                        |                       |
| Dummy TAW in 2006 *2008 Year Dummy   |                          |                        | 0.151***<br>(0.0261)  | -0.0219<br>(0.0350)  |                        |                       |
| Dummy TAW in 2006 *2009 Year Dummy   |                          |                        | 0.121***<br>(0.0273)  | -0.0272<br>(0.0370)  |                        |                       |
| Dummy TAW in 2006 *2010 Year Dummy   |                          |                        | 0.115***<br>(0.0279)  | -0.0576<br>(0.0375)  |                        |                       |
| Dummy TAW in 2006 *2011 Year Dummy   |                          |                        | 0.201***<br>(0.0301)  | -0.0199<br>(0.0432)  |                        |                       |
| Constant                             | 13.40***<br>(0.00688)    | 14.61***<br>(0.0140)   | 13.41***<br>(0.00686) | 14.61***<br>(0.0137) | 0.0573***<br>(0.00596) | 0.0992***<br>(0.0115) |
| Observations                         | 34,307                   | 9,041                  | 34,307                | 9,041                | 33,389                 | 8,862                 |
| R-squared                            | 0.978                    | 0.976                  | 0.978                 | 0.976                | 0.220                  | 0.148                 |
| F-test                               |                          |                        | 20.11                 | 0.170                |                        |                       |
| Prob>F                               |                          |                        | 7.33e-06              | 0.680                |                        |                       |

NOTE: All specifications include year and plant fixed effects; Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table VII: Value Added

|                                      | Value Added (Ln)     |                      |                      |                      |                       |                      |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|
|                                      | (1)                  |                      | (2)                  |                      | (3) Growth Rate       |                      |
|                                      | A: All Sample        | B: Selected Sample   | A: All Sample        | B: Selected Sample   | A: All Sample         | B: Selected Sample   |
| Dummy TAW in 2006 * Year*Post Reform | 0.00111<br>(0.00465) | 0.00637<br>(0.00592) |                      |                      |                       |                      |
| Dummy TAW in 2006 * Year             | 0.00209<br>(0.00693) | -0.0133<br>(0.00909) |                      |                      |                       |                      |
| Dummy TAW in 2006 *Post Reform       |                      |                      |                      |                      | 0.00438<br>(0.0265)   | 0.0313<br>(0.0329)   |
| Dummy TAW in 2006 *2002 Year Dummy   |                      |                      | 0.0836*<br>(0.0445)  | -0.00806<br>(0.0615) |                       |                      |
| Dummy TAW in 2006 *2003 Year Dummy   |                      |                      | -0.00772<br>(0.0442) | -0.0735<br>(0.0591)  |                       |                      |
| Dummy TAW in 2006 *2004 Year Dummy   |                      |                      | 0.0485<br>(0.0435)   | -0.0568<br>(0.0556)  |                       |                      |
| Dummy TAW in 2006 *2005 Year Dummy   |                      |                      | 0.0473<br>(0.0430)   | -0.0311<br>(0.0575)  |                       |                      |
| Dummy TAW in 2006 *2006 Year Dummy   |                      |                      | 0.0407<br>(0.0425)   | -0.0879<br>(0.0572)  |                       |                      |
| Dummy TAW in 2006 *2007 Year Dummy   |                      |                      | 0.0917**<br>(0.0439) | -0.0370<br>(0.0598)  |                       |                      |
| Dummy TAW in 2006 *2008 Year Dummy   |                      |                      | 0.0899*<br>(0.0464)  | -0.0501<br>(0.0649)  |                       |                      |
| Dummy TAW in 2006 *2009 Year Dummy   |                      |                      | -0.0113<br>(0.0474)  | -0.0792<br>(0.0658)  |                       |                      |
| Dummy TAW in 2006 *2010 Year Dummy   |                      |                      | 0.00273<br>(0.0493)  | -0.117*<br>(0.0674)  |                       |                      |
| Dummy TAW in 2006 *2011 Year Dummy   |                      |                      | 0.125***<br>(0.0480) | -0.0118<br>(0.0684)  |                       |                      |
| Constant                             | 12.32***<br>(0.0117) | 13.53***<br>(0.0230) | 12.32***<br>(0.0117) | 13.52***<br>(0.0229) | 0.0573***<br>(0.0141) | 0.150***<br>(0.0293) |
| Observations                         | 34,310               | 9,042                | 34,310               | 9,042                | 32,824                | 8,731                |
| R-squared                            | 0.926                | 0.918                | 0.926                | 0.919                | 0.153                 | 0.081                |
| F-test                               |                      |                      | 0.576                | 0.0713               |                       |                      |
| Prob>F                               |                      |                      | 0.448                | 0.789                |                       |                      |

NOTE: All specifications include year and plant fixed effects; Robust standard errors in parentheses;

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table VIII: Share of Inventories

|                                    | Inventories/Sales        |                          |                          |                           |                          |                          |                         |                         |
|------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|--------------------------|-------------------------|-------------------------|
|                                    | (1) OLS (All Sample)     |                          |                          | (2) OLS (Selected Sample) |                          |                          | (3) Plant Fixed Effects |                         |
|                                    | A                        | B                        | C                        | A                         | B                        | C                        | A                       | B                       |
| Volatility (SD dlva)               | 0.0664***<br>(0.00496)   | 0.0843***<br>(0.00675)   | 0.0661***<br>(0.00497)   | 0.0660***<br>(0.0100)     | 0.0782***<br>(0.0142)    | 0.0656***<br>(0.00995)   |                         |                         |
| Dummy TAW in 2006                  |                          | -0.00599<br>(0.00742)    | -0.0277*<br>(0.0155)     |                           | -0.0396***<br>(0.00891)  | -0.0445**<br>(0.0221)    |                         |                         |
| Volatility*Post Reform             |                          | -0.0466***<br>(0.00910)  |                          |                           | -0.0301*<br>(0.0173)     |                          | -0.0288***<br>(0.00671) | -0.0287***<br>(0.00672) |
| Dummy TAW in 2006 *Post Reform     |                          | 0.0254**<br>(0.0103)     |                          |                           | 0.0309**<br>(0.0133)     |                          | 0.0187***<br>(0.00666)  |                         |
| Dummy TAW in 2006 *2002 Year Dummy |                          |                          | 0.0168<br>(0.0226)       |                           |                          | 0.00878<br>(0.0308)      |                         | 0.000501<br>(0.0153)    |
| Dummy TAW in 2006 *2003 Year Dummy |                          |                          | 0.0435<br>(0.0270)       |                           |                          | 0.0123<br>(0.0316)       |                         | 0.0184<br>(0.0157)      |
| Dummy TAW in 2006 *2004 Year Dummy |                          |                          | 0.0218<br>(0.0240)       |                           |                          | -0.00590<br>(0.0304)     |                         | 0.00709<br>(0.0145)     |
| Dummy TAW in 2006 *2005 Year Dummy |                          |                          | 0.0331<br>(0.0218)       |                           |                          | 0.0102<br>(0.0291)       |                         | 0.00820<br>(0.0145)     |
| Dummy TAW in 2006 *2006 Year Dummy |                          |                          | 0.0215<br>(0.0211)       |                           |                          | 0.00335<br>(0.0294)      |                         | 0.00357<br>(0.0146)     |
| Dummy TAW in 2006 *2007 Year Dummy |                          |                          | 0.0203<br>(0.0199)       |                           |                          | 0.0124<br>(0.0285)       |                         | 0.00145<br>(0.0142)     |
| Dummy TAW in 2006 *2008 Year Dummy |                          |                          | 0.0394*<br>(0.0211)      |                           |                          | 0.0347<br>(0.0299)       |                         | 0.0257*<br>(0.0151)     |
| Dummy TAW in 2006 *2009 Year Dummy |                          |                          | 0.0760***<br>(0.0255)    |                           |                          | 0.0688**<br>(0.0344)     |                         | 0.0491***<br>(0.0187)   |
| Dummy TAW in 2006 *2010 Year Dummy |                          |                          | 0.0467**<br>(0.0228)     |                           |                          | 0.0418<br>(0.0322)       |                         | 0.0272*<br>(0.0165)     |
| Dummy TAW in 2006 *2011 Year Dummy |                          |                          | 0.0519**<br>(0.0252)     |                           |                          | 0.0241<br>(0.0344)       |                         | 0.0288*<br>(0.0172)     |
| Lag Valued Added                   | -0.00451***<br>(0.00127) | -0.00450***<br>(0.00132) | -0.00478***<br>(0.00132) | -0.00577***<br>(0.00203)  | -0.00586***<br>(0.00202) | -0.00598***<br>(0.00202) |                         |                         |
| Constant                           | 0.735***<br>(0.0213)     | 0.724***<br>(0.0224)     | 0.742***<br>(0.0220)     | 0.146***<br>(0.0306)      | 0.146***<br>(0.0306)     | 0.146***<br>(0.0348)     | 0.218***<br>(0.00401)   | 0.218***<br>(0.00402)   |
| Observations                       | 31,654                   | 31,654                   | 31,654                   | 8,814                     | 8,814                    | 8,814                    | 32,994                  | 32,994                  |
| R-squared                          | 0.135                    | 0.136                    | 0.136                    | 0.133                     | 0.135                    | 0.135                    | 0.793                   | 0.793                   |
| F-test                             |                          |                          | 3.131                    |                           |                          | 4.772                    |                         | 7.468                   |
| Prob > F                           |                          |                          | 0.0768                   |                           |                          | 0.0289                   |                         | 0.00628                 |

NOTE: Specifications (1) and (2) include year and sector fixed effects. Specification (3) includes year fixed effects; Robust standard errors in parentheses;

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1