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The EU enlargement and domestic employment

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Abstract

We propose a study on the interdependence among EU member states, focusing on their labor markets over the period 1995-2005. Increased accessibility of detailed sector level labor statistics allows us to consider trade based linkages and interaction mechanisms between domestic and foreign employment in manufacturing and tradable business services in "Old" and "New" partners in the EU. From the estimate of the empirical model, the domestic demand for labor in the EU-15 is negatively affected by other "Old" EU members" average cost of labor and positively affected by the average cost of labor in "New" partners: "Old" EU members" domestic labor then appears as a complement with respect to other "Old" EU partners" labor and as a substitute with respect to workers in "New" members. Finally, employment in the latter group of countries is not really affected by wage conditions in partners regardeless of the level of their development.

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1 Introduction and literature review

The intensification of links between Eastern and Western Europe in the 90s, initiated by trade agreements in the mid-1990s and completed by the recent enlargements in 2004 and 2007[1] , has caused the strengthening of trade relations between New Member States (from now on NMS) and the EU-15 countries[2]. Wage differentials have influenced the location of separate phases of the production process and NMS (mainly Central and East European Countries - from now on CEECs) were an important host of outsourcing practices for the EU-15 already in the 1990s (Baldone et al., 2001). The importance of the outward processing trade (OPT) in CEECs has risen considerably throughout the 1990s (de Benedictis and Tajoli, 2008).

Our analysis addresses the impact of wage conditions in partner countries on the domestic demand for labor. Whether domestic and foreign labor are complements or substitutes is a question that the theory has addressed in several ways. The burgeoning literature on the role of globalization (Feenstra, 1998; Krugman, 2008; Hummels et al., 2001) in the increasing skilled/unskilled inequality in developed nations (Feenstra and Hanson, 1996, 1999) has usually assumed that foreign labor is a substitute for domestic labor, however, the final effect of trade in intermediates on wages very much depends on the initial hypothesis of a model (Feenstra and Hanson, 1996, 1999, 2003; Arndt , 1997; Kohler, 2004, 2008; Grossman and Rossi-Hansberg, 2006a, 2006b) and substitution of foreign for domestic workers does not need to be the only outcome.

The empirical evidence on the topic in Europe has taken the form of country specific studies[3] and the main concern has been whether the low skilled in advanced countries are negatively affected by the fragmentation of production: Egger and Egger (2003) find that outsourcing to CEECs is responsible for the increase in the relative demand for the skilled in Austria; Helg and Tajoli (2005), and Geishecker (2006), find the same result for Germany; Egger and Egger (2005b), reinforce the result for Austria showing the importance of the feedback effects of outsourcing across industries.

For NMS, Egger and Egger (2002) prove a negative impact of exports of intermediates on average real wages and a positive effect from intermediates

[1]Ten countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovenia and Slovakia) joined the EU in 2004; Bulgaria and Romania acceded in 2007.

[2]In 1990 46%of exports from the twelve NMS were directed to the EU-15 countries, in 2005 already 61%; while trade with these countries amounted to 1% of EU-15 total exports in 1990 and already 6% in 2005 (data from UNComtrade).

[3]The only exception is the work by Hijzen and Swaim (2007) who explore the relation between overall employment and offshoring for 17 high-income OECD countries.

imports on 14 NACE 2-digit sectors in seven CEECs (1993-1998). Egger (2006) uses analogous data for a sub-sample of three CEE countries (Czech Republic, Hungary and Poland) between 1993 and 1999 and shows evidence of trade-induced sigma wage convergence between these countries. Egger and Pfaffermayr (2004), at the same level of disaggregation as the previous authors, reject the hypothesis of unconditional beta wage convergence both *within* the EU and the CEECs, but support the hypothesis of international (across countries) factor price equalization as a result of outsourcing practices in the European context.

Within this framework the present work aims to estimate the response of domestic labor markets to wage conditions in the EU 'Old' and 'New' member states in the period 1995-2004. The recent increased accessibility of detailed sector level labor statistics for separate EU countries (also NMS) allows us to focus on EU-15 and NMS-5 economies (namely: the Czech Republic, Hungary, Poland, Slovenia and Slovakia) at the same time. Also we extend the traditional focus of the empirical analysis beyond manufacturing by the inclusion of tradable business services among the sectors exposed to international competition, and observing employment evolution in the 1995-2004 period which turns out to be a relevant period of European integration.

An important feature relies in the fact that the demand for labor is assumed to be affected not only by its own price and other domestic input prices, but also by the average labor costs in partner countries: *ceteris paribus* an increase in foreign wage increases/decreases the demand for labor according to the complementarity/substitutability existing between home and foreign labor inputs.

The rest of the paper is organized as follows. In the following section, we describe the data, then we present some evidence on trade and employment in the EU-15 and NMS over the period 1995-2005. Section 4 presents the empirical strategy and the results of the estimation of the empirical model. Section 5 concludes.

2 Data Description

We use disaggregated trade and industrial statistics for all former EU-15 member countries (which we include in the 'Old' members' group[4] and five out of ten NMS which joined the EU in 2004 (namely: the Czech Republic, Hungary, Poland, Slovenia and Slovakia - from now on called NMS-5 and

[4]Depending on the year, statistics for Belgium (BEL) and Luxembourg (LUX) are available for both countries separately or aggregated together, thus we aggregated the data which were reported separately for BEL and LUX, treating them jointly throughout the analysis (BLX).

included into the 'New' group). Unfortunately, detailed industrial statistics are not yet available for the remaining NMS, but we will include them in the general description of trade relations within the enlarged EU. In order to avoid confusion with NMS-5, we denote all countries which joined the EU in 2004 and 2007 as NMS-12. A list of countries along with adopted abbreviations can be found in Appendix (Table 1).

The release in 2008 of the EUKLEMS Growth and Productivity Accounts is our source of the data on countries' number of employees, persons engaged, labor compensation and the value added price index within each sector. Statistics which were reported in national currencies are recalculated into euros using bilateral exchange rates from Eurostat.

Bilateral exports and imports within the same sector between NMS and the EU-15 members, as well as the volume of total trade with all world partners are obtained from the UN Comtrade Database through WITS retrieval system[5] which allows us to obtain a recalculated series of trade data following an industry list consistent with the NACE division (a basic classification of the industrial statistics we use).

We focus on manufacturing and on IT services and in order to match trade and industrial statistics at the sectoral level, we reorganize the original data into 13 tradable sectors (Table 2 in Appendix). Complete labor market data for NMS are not available prior to the year 1995 thus our analysis covers the time span of one decade (1995-2005) which, however, is an important decade for the observation of the increased interdependence within the integrating Europe after the Europe Agreements.

3 Trade and Employment

Trade with the EU-15 is traditionally much more important for NMS than trade with NMS for the EU-15. From the changes in sector specific normalized trade balances in trade flows between New Member States and the EU-15 (Table 3), the NMS-12 tend to occupy the position of a net exporter, especially in sectors requiring rather low skill labor such as: 'Textiles, leather and footwear', 'Wood and products of wood and cork'. However, between 1995 and 2005 NMS-12 managed to pass from the position of net importer to the role of net exporter in more advanced sectors ('Electrical and optical equipment' and 'Transport equipment'), and this is more so if we take into account NMS-5 only.

Turning to the description of the sectoral patterns of employment in the EU-15 and NMS-5 countries Table 4 shows the overall variation rates of their

[5]World Integrated Trade Solutions (www.wits.worldbank.org).

employment (in terms of employees and persons engaged) in single sectors between 1995 and 2005. The general message is that overall tradable employment rose in both groups of countries. However, it is evident that the evolution of employment in the two groups differs substantially across sectors. The services sector expanded noticeably, while more heterogeneity characterizes manufacturing[6]. Possible competition between the EU-15 and NMS-5 workers may occur in those sectors where employment improved in the latter group, while diminishing in the former: 'Wood products', 'Pulp, paper, printing and publishing', 'Electrical and optical equipment' and 'Manufacturing n.e.c.'. Note that in the sector producing advanced equipment (sector J) employment in NMS-5 countries on average rose by around 45% (employees) or 35% (persons engaged), while at the same time diminished in the EU-15 by around 9%. The opposite changes (considerable rise in the EU-15, drop in employment in NMS-5) took place in the 'Machinery n.e.c.' sector.

4 The empirical strategy

The basis to assess the degree of complementarity/substitutability between domestic and foreign workers via the response of home employment to foreign wages, is the measurement of the average labor cost in partner countries. To take into account the great heterogeneity of partners in the EU resulting from different income levels, stages of development and time of accession to the EU, we build two distinct measures for the average cost of 'New' and 'Old' partners'. Ranking the 'New' partners in the EU from 1 to p and the 'Old' partners from $p+1$ to R[7], for every country i, sector j we construct two sector specific measures of the weighted average labor cost respectively in 'New' and 'Old' partner countries:

$$WP_{Lij}^{New} = \frac{\sum_{q=1}^{p} import_{iqj} * wage_{qj}}{\sum_{q=1}^{p} import_{iqj}} \tag{1}$$

$$WP_{Lij}^{Old} = \frac{\sum_{q=p+1}^{R} import_{iqj} * wage_{qj}}{\sum_{q=p+1}^{R} import_{iqj}}$$

[6]Employment increased contemporaneously in the EU-15 and NMS-5 only in two sectors ('Rubber and plastics products' and 'Transport equipment') but much bigger changes took place in the latter countries. Both in Old and New Members 'Textiles, leather and footwear' sector - exposed to increasing competition from Asian (mainly) markets - shrank. The same happened to 'Chemicals' and 'Other non metallic mineral products' sectors.

[7]The definition of partner countries adopted here refers to partners in the EU in our restricted sample composed of 20 countries (Table 1 in Appendix), thus every 'New' member state has 4 'New' partners and 15 'Old' partners, while every 'Old' member state has 5 'New' partners and 14 'Old' partners.

The average wage in partners ($\vee z = `New', `Old'$, with q indexing the R partners in the EU) of each country i (WP^z_{Lij}) is then obtained as the weighted average of partners' labor cost, $wage_{qj}$, in the same sector j with weights equal to country i's imports from partner q in the same sector j so that foreign wage conditions in partner q can matter as long as trade is present. In the light of possible competition/complementarity between domestic and foreign workers, emerging from progressing trade liberalization and offshoring practices, we assign major importance to the evolution of wage conditions in partner countries from which imports are particularly intense. These measures are used in the following subsection 4.1 on overall interdependency between domestic and partners' labor markets.

4.1 The impact of labor cost in partner countries on overall domestic demand for labor

To investigate whether the evolution of wages in partner countries has an effect on employment at home, we estimate the following empirical model for the conditional labor demand[8]:

$$\tilde{emp}_{ijt} = \alpha + \beta_0 \tilde{emp}_{ijt-1} + \beta_1 \tilde{wp}^{New}_{Lijt} + \beta_2 \tilde{wp}^{Old}_{Lijt} + \beta_3 \tilde{y}_{ijt} + \beta_4 \tilde{w}_{ijt} + \delta \tilde{D}_i + \theta \tilde{D}_j + \mu_{ij} + \epsilon_{ijt} \quad (2)$$

where $\tilde{}$ stands for cross-section demeaning, however we allow for a different cross-section mean for "New" and "Old" Members to allow for heterogeneous time effects in the two groups. emp is the log of employment in country i and sector j at time t; y and w are respectively the log of real output and of the real wage in the same sector and country at time t, D_i and D_j respectively represent country and industry dummies. Finally, wp^{New}_L and wp^{Old}_L are the logs of the two measures of average labor cost in 'New' and 'Old' partner countries, defined in (1) and (2). They are among the right hand side variables influencing domestic labor demand, so our main coefficients of interest are β_1 and β_2: a positive elasticity of domestic employment with respect to foreign labor compensation implies a certain degree of substitutability between the domestic and the foreign labor force, while a negative elasticity of emp with respect to wp is a sign of complementarity effects.

As measures of employment (emp), we decided to alternate the number of persons engaged and the number of employees in the estimation of the model because they convey different pieces of information: foreign competition may

[8]Similar model has been adopted by Hijzen and Swaim (2007) who, however, included among the right hand side variables 'demand shifters' in the form of measures of offshoring.

well result in a reduction of employees in a sector and might not affect the overall number of persons engaged (due to transformation of the organization of production which may see employees move to the self-employed category). Unfortunately, data on capital stocks was not available for NMS, for this reason no measure of capital intensity is present among the right hand side variables in (2). We try to address this lack by the inclusion of industry, country and time dummies. Summary statistics of the variables used in the empirical analysis below can be found in Table 5 in the Appendix.

Results - Table 6 reports the coefficient estimates of the model (2) obtained using system GMM[9] which allows us to control for the endogeneity of all of the right hand side variables. The Table presents the results for the first (SYS-GMM) and Windmejer small sample corrected second step (SYS-GMM 2nd). The final rows in each panel then report the P values for the Hansen J statistics and for the tests for the absence of autocorrelation of order 1 and 2 - AR(1) and AR(2), a rejection for the AR(1) and a failure to reject the null for the Hansen and AR(2) tests are expected to validate the assumptions underlying the use of estimator. Panel A in the Table refers to employment measured as the number of persons engaged, while Panel B refers to the number of employees. The first two columns refer to the whole sample ($e\tilde{m}p$ referring to domestic labor markets of both NMS-5 and EU-15), the other two pairs of columns contain the estimation results when the sample is split between 'New' and 'Old' members, thus when $e\tilde{m}p$ refers only to NMS-5 or EU-15 domestic labor markets, respectively.

Focusing on the crucial estimates concerning wage conditions in partner countries, we see that when the whole sample is considered (the first two columns) there is some evidence of labor market interdependencies, especially a negative employment effect emerges from changes in wages in 'Old' partners. Wages in NMS5 positively affect employment, thus hinting at possible substitution of home employment and NMS5 workers.

When splitting the sample, employment in New Members is not robustly related to foreign wages. Stronger and clearer results appear for employment in 'Old' members: the rise of average wage of partners also belonging to 'Old' group, $\tilde{wp}_L^{Old}$, negatively affects home employment in 'Old' members economies, suggesting its complementarity with respect to domestic labor; more interestingly, the effect of the average wage of New Members, $\tilde{wp}_L^{New}$, on employment in 'Old' members is positive regardless of the measure of employment adopted. These results hint at a certain degree of substitution

[9]The above empirical model is a dynamic panel data model and after a preliminary investigation made by confronting results from Ordinary Least Square, Fixed Effect and First Difference GMM estimator, we conclude that the problem of weak instruments (due to highly persistent series) might be a concern in the present context.

between domestic the EU-15 labor force and foreign workers from the NMS-5 countries.

Finally, from the Table the elasticity of employment with respect to real output $\tilde{y}$ is significant and positive, although smaller than one in all the cases. As expected, the elasticities with respect to own wages ($\tilde{w}$) are negative and particulary higher for NMS5. In both Panels the results from the tests are as expected. Finally, this set of results is robust to the reduction of the number of lags used as instruments and to the exclusion of the service sector from the sample.[10]

5 Summary of the findings and Conclusions

This paper has focused on the interdependence between 'Old' and 'New' member states in the labor markets in manufacturing and services in the enlarged EU. The key idea is that the trade effects on employment at home are to a large extent dependent on the wage conditions of the labor market in trading partner countries.

We have constructed a measure of average labor cost in partner countries, taking into account the intensity of trade flows between domestic and foreign EU markets. From the estimates of the empirical model, a certain degree of substitution emerges between domestic EU-15 employment and foreign labor from NMS-5 which indicates possible competition between 'Old' and 'New' workers. The natural prosecution of this work needs to disentangle the interdependencies among different skill categories of workers within the enlarged EU.

[10]The results are not shown for brevity but they are available from the authors upon request.

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A Appendix

Table 1: List of Countries and adopted abbreviations

EU-15 ('Old')		NMS			
		NMS-12		NMS-5 ('New')	
AUT	Austria	BLG	Bulgaria	CZE	Czech Republic
BLX	Belgium and Luxembourg	CYP	Cyprus	HUN	Hungary
DNK	Denmark	CZE	Czech Republic	POL	Poland
ESP	Spain	EST	Estonia	SVK	Slovak Republic
FIN	Finland	HUN	Hungary	SVN	Slovenia
FRA	France	LTU	Lithuania		
GER	Germany	LVA	Latvia		
GRC	Greece	MLT	Malta		
IRL	Ireland	POL	Poland		
ITA	Italy	ROM	Romania		
NLD	Netherlands	SVK	Slovak Republic		
PRT	Portugal	SVN	Slovenia		
SWE	Sweden				
UK	United Kingdom				

Table 2: List of sectors

A. Food, beverages and tobacco	Low skill intensive
B. Textiles, leather and footwear	Low skill intensive
C. Wood and product of wood and cork	Low skill intensive
D. Pulp, paper, printing and publishing	Low skill intensive
E. Chemicals and chemical products	High skill intensive
F. Rubber and plastics products	Low skill intensive
G. Other non-metallic mineral products	Low skill intensive
H. Basic metals and fabricated metal products	Low skill intensive
I. Machinery, nec	High skill intensive
J. Electrical and optical equipment	High skill intensive
K. Transport equipment	High skill intensive
L. Manufacturing, nec; recycling	Low skill intensive
M. Renting of m&eq; other business services	High skill intensive

Table 3: Normalized trade balance between NMS-12 (NMS-5) and EU-15 (by sector)

	NTB (NMS-12 vs EU-15) [a]		NTB (NMS-5 vs EU-15) [b]	
	1995	2005	1995	2005
A. Food, beverages and tobacco	-19.4	-11.1	-9.7	-2.2
B. Textiles, leather and footwear	14.2	9.9	15.5	2.6
C. Wood and product of wood and cork	65.6	50.1	69.3	42.8
D. Pulp, paper, printing and publishing	-38.8	-22.3	-33.5	-15.3
E. Chemicals and chemical products	-36.8	-51.7	-35.9	-48.9
F. Rubber and plastics products	-33.4	-22.3	-29.8	-16.8
G. Other non-metallic mineral products	9.4	-6.4	14.8	2.7
H. Basic metals and metal products	18.4	-4.1	20.0	-2.4
I. Machinery, nec	-46.2	-15.6	-41.5	-7.7
J. Electrical and optical equipment	-24.8	13.3	-23.9	18.9
K. Transport equipment	-14.9	9.8	-9.5	19.1
L. Manufacturing, nec; recycling	35.2	48.6	36.3	52.2
M. Renting of m&eq, other services	-43.9	-25.5	-37.3	-15.5

Note: NMS-5: CZE, HUN, POL, SVK, SVN
NMS-12: BGR, CYP, CZE, EST, HUN, LTU, LVA, MLT, POL, ROM, SVK, SVN.

a. calculated as $\frac{(EXP\,from\,NMS-12\,to\,EU-15 - IMP\,to\,NMS-12\,from\,EU-15)}{(EXP\,from\,NMS-12\,to\,EU-15 + IMP\,to\,NMS-12\,from\,EU-15)} * 100$

b. calculated as $\frac{(EXP\,from\,NMS-5\,to\,EU-15 - IMP\,to\,NMS-5\,from\,EU-15)}{(EXP\,from\,NMS-5\,to\,EU-15 + IMP\,to\,NMS-5\,from\,EU-15)} * 100$

Source: own elaboration with UN Comtrade data.

Table 4: Employment variation rates in EU-15 and NMS-5 (in %, 1995-2005)

	Δ Employees [%]		Δ Persons engaged [%]	
	'Old' (EU-15)	'New' (NMS-5)	'Old' (EU-15)	'New' (NMS-5)
A. Food, beverages and tobacco	1.6	-11.77	0.93	-12.53
B. Textiles, leather and footwear	-28.73	-43.89	-28.91	-42.98
C. Wood and product of wood and cork	-2.44	4.35	-5.11	8.61
D. Pulp, paper, printing and publishing	-10.94	1.98	-9.95	5.08
E. Chemicals and chemical products	-7.9	-25.18	-7.67	-21.81
F. Rubber and plastics products	3.08	53.31	2.44	45.34
G. Other non-metallic mineral products	-6.33	-18.36	-6.59	-17.54
H. Basic metals and metal products	4.23	-1.61	3.97	-5.42
I. Machinery, nec	2.12	-28.58	1.84	-28.05
J. Electrical and optical equipment	-9.02	45.29	-8.72	35.02
K. Transport equipment	7.31	25.64	7.35	16.31
L. Manufacturing, nec; recycling	-5.0	16.96	-5.24	14.21
M. Renting of m&eq, other services	58.06	64.0	57.58	77.48
Average	21.46	13.92	22.82	16.63

Note: weighted averages (by sector size) across countries within each of the group
NMS-5: CZE, HUN, POL, SVK, SVN

Source: own elaboration with EUKLEMS data

Table 5: Summary Statistics Model 2

Variable		Mean	Std. Dev.	Min	Max	Observations
emp	overall	4.51	1.25	1.75	8.46	N = 2717
Persons	between		1.25	2.04	8.25	n = 247
Engaged	within		0.10	3.89	5.04	T = 11
w	overall	0.03	0.02	0.01	0.30	N = 2717
Compensation	between		0.01	0.01	0.16	n = 247
of labor	within		0.01	-0.07	0.17	T = 11
emp	overall	4.41	1.24	1.53	8.28	N = 2717
Employees	between		1.24	1.81	8.09	n = 247
	within		0.11	3.76	5.07	T = 11
w	overall	0.03	0.02	0.01	0.30	N=2717
Compensation of	between		0.01	0.01	0.16	n=247
Employees	within		0.01	-0.07	0.17	T=11
y	overall	4.81	0.29	3.91	7.20	N = 2717
	between		0.23	4.18	6.26	n = 247
	within		0.18	3.16	5.75	T = 11
wp_L^{Old}	overall	-1.57	0.27	-2.27	-0.51	N = 2717
Compensation of	between		0.25	-2.08	-1.03	n = 247
labor	within		0.11	-2.04	-0.97	T = 11
wp_L^{New}	overall	-3.71	0.33	-5.26	-2.58	N = 2717
Compensation of	between		0.23	-4.36	-3.25	n = 247
labor	within		0.23	-4.86	-2.86	T = 11

Table 6: Employment effects of wage conditions in partner countries

	SYS-GMM 1^{st} step	SYS-GMM 2^{nd} step	SYS-GMM 1^{st} step	SYS-GMM 2^{nd} step	SYS-GMM 1^{st} step	SYS-GMM 2^{nd} step
Panel A	All Sample		(Number of Persons Engaged) 'New' (NMS-5)		'Old' (EU-15)	
$\tilde{emp}_{-1}$	0.977***	0.975***	0.907***	0.880***	0.980***	0.983***
	[0.011]	[0.011]	[0.024]	[0.046]	[0.008]	[0.008]
$\tilde{w}$	-0.057***	-0.057***	-0.071***	-0.085*	-0.044***	-0.045***
	[0.010]	[0.010]	[0.016]	[0.046]	[0.009]	[0.009]
$\tilde{y}$	0.073***	0.072***	0.101***	0.114***	0.066***	0.065***
	[0.010]	[0.010]	[0.014]	[0.030]	[0.012]	[0.012]
$\tilde{wp}_L^{New}$	0.022**	0.017*	0	-0.008	0.023***	0.020**
	[0.009]	[0.009]	[0.021]	[0.053]	[0.008]	[0.009]
$\tilde{wp}_L^{Old}$	-0.066***	-0.060***	-0.081	-0.08	-0.053**	-0.050**
	[0.022]	[0.022]	[0.050]	[0.093]	[0.021]	[0.022]
Obs.:	2470	2470	650	650	1820	1820
Groups:	247	247	65	65	182	182
Hansen-J	0.09	0.09	1.00	1.00	0.63	0.63
AR(1)	0.00	0.00	0.00	0.00	0.00	0.00
AR(2)	0.74	0.73	0.42	0.41	0.81	0.81
Panel B	All Sample		(Number of Employees) 'New' (NMS-5)		'Old' (EU-15)	
$\tilde{emp}_{-1}$	0.922***	0.925***	0.867***	0.870***	0.980***	0.979***
	[0.017]	[0.018]	[0.029]	[0.056]	[0.008]	[0.009]
$\tilde{w}$	-0.063***	-0.067***	-0.091***	-0.131**	-0.048***	-0.050***
	[0.014]	[0.015]	[0.023]	[0.062]	[0.009]	[0.010]
$\tilde{y}$	0.100***	0.098***	0.106***	0.074	0.070***	0.073***
	[0.013]	[0.013]	[0.024]	[0.047]	[0.013]	[0.014]
$\tilde{wp}_L^{New}$	0.002	0.004	-0.049	-0.004	0.024***	0.023**
	[0.012]	[0.012]	[0.038]	[0.080]	[0.009]	[0.009]
$\tilde{wp}_L^{Old}$	-0.077***	-0.068**	-0.013	0.029	-0.055***	-0.058**
	[0.028]	[0.028]	[0.069]	[0.120]	[0.021]	[0.023]
Obs.:	2470	2470	650	650	1820	1820
Groups:	247	247	65	65	182	182
Hansen-J	0.09	0.09	1.00	1.00	0.55	0.55
AR(1)	0.00	0.00	0.01	0.01	0.00	0.00
AR(2)	0.57	0.57	0.70	0.73	0.50	0.50

Note: Robust Standard Errors in Brackets.
All estimates bear industry and country dummies. ˜ stands for cross-section demeaning, a different cross-section mean is calculated for the two country groups.