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Preferences for Reforms: Endowments vs. Beliefs

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Preferences for Reforms: Endowments vs. Beliefs

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ABSTRACT: Are preferences for reforms driven by individuals' own endowments or beliefs? To address this question, we conducted a cross-country survey on people's opinions on employment protection legislation—an area where reform has proven to be difficult and personal interests are at stake. We find that individuals' beliefs matter more than their own endowments and personal pay-offs. A randomized information treatment confirms that beliefs explain views about reform, but beliefs can change with new information. Our results are robust to several robustness tests, including to alternative estimation techniques and samples.

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I. Introduction

Why do some people embrace reforms while others oppose it? Does one's opinion reflect primarily one's own payoff from reform, and therefore, ultimately, one's endowments (such as income and wealth) and other individual characteristics (such as gender and age)? Or do beliefs, rooted in ideology (e.g., political opinions) and (mis)information, instead play a predominant role? The literature on the political economy of reforms speaks to the relevance of both sets of drivers, but it has yet to shed light on their relative importance. Yet addressing this question bears major implications not just for economic theory, but also for policy. For example, if individual endowments are key, then compensating poorly endowed individuals—the losers from reforms—is crucial in garnering political support for reforms. If instead beliefs are key, and beliefs can also be fickle, then a smart communication strategy should be the policymakers' main priority.

This paper addresses this question in a novel way by running a new large-scale online survey questionnaire covering 500 individuals in each of 14 advanced countries. We focus our questionnaire on individuals' views about reform in one specific area, namely employment protection legislation (EPL). This is for three reasons. First, EPL is a major regulatory area where many individuals' interests are directly and visibly at stake because it relates to protections attached to their (current or future) job contract; other key market regulations are typically narrower in scope (e.g., most product market regulations and barriers to international trade are sectoral in nature) or impact most individuals less directly (e.g., domestic and external finance regulations). Second, EPL is also subject to a lively debate as part of which strong views are often held, making it a good candidate to study the respective roles of individual interests and beliefs. Third, the experience of advanced and emerging market economies over the last half-century shows that labor regulations are far harder to reform than other market regulations; indeed, EPL has changed surprisingly little within countries since the 1970s, despite an otherwise massive deregulation wave across such areas as domestic product markets, international trade, FDI, domestic finance or external finance (Alesina et al., 2020). These reasons make it particularly intriguing to focus on the political economy obstacles to EPL reforms.

Our survey questions are specifically designed to assess the significance of the many drivers of individual support for reform put forward in the literature, and thereby to shed new light on the respective roles of endowments (such as education, family situation or labor market status, for example) versus beliefs (such as (mis)information about regulation, (mis)trust or political opinions, for example.)

The contribution of our paper is twofold: 1) to assess the relative importance of beliefs and endowments in the formation of attitudes; 2) to examine how new information can alter beliefs. Our key finding is that beliefs matter significantly more than individual endowments. We also find that beliefs can be fickle, as they respond strongly to a (randomized) treatment under which (treated) individuals are provided with new information.

To sort out the relative significance of endowments and beliefs, we first regress individuals' opinions about (de)regulation on both sets of individual variables—those proxying for endowments and those proxying for beliefs. We also control, through country fixed effects, for a range of economy-wide factors such as the stance of regulation, nature of the legal system or dominant collective beliefs rooted in history and geography. The main finding is that, from both statistical and economic standpoints, variables related to beliefs are more significant correlates of individual opinions about EPL deregulation than variables related to individual endowments. Beliefs contribute at the very least—depending on specifications and their interpretation—two to three times more than endowments to observed within-country cross-individual heterogeneity in individual opinions about EPL deregulation. One particularly significant and impactful belief appears to be the extent to which respondents understand what regulation does in practice. These results are robust to alternative estimation and sampling techniques.

In a second step, we exploit follow-up questions to respondents about why they oppose deregulation. Almost two-thirds of opponents to deregulation state that their opinion reflects societal concerns (that deregulation won't create jobs and will increase inequality, for example) rather than individual concerns (that deregulation might hurt them personally, for example). Also, individuals who could personally benefit from EPL reform due to their individual endowments (unemployed, out-of-the-labor-force, self-employed) are just as likely to oppose EPL deregulation than others, and they are also more likely to oppose it on societal (rather than on personal) grounds. Further, some two-thirds of opponents to deregulation would not change their opinion even if adequate monetary compensation were provided to address their specific concerns regarding deregulation. These results are again consistent with a key role of beliefs in driving people's opinion about EPL deregulation.

Finally, we confirm the predominant role of beliefs through a randomized information treatment. Specifically, after filling out our questionnaire, half of the respondents are (randomly) treated with new information that economists have found that making it easy for employers to lay off permanent workers when they feel the economic need to do so is beneficial for the overall economy and increases hiring opportunities. Compared with untreated individuals, the likelihood that treated respondents support EPL deregulation

increases by about 13 percent after receiving new information, a large and highly statistically significant impact.

Our paper relates to a recent literature that uses large-scale social economics surveys and experiments to understand how individuals form their views about economic issues and, in particular, policies. Stantcheva (2020, 2021) runs online surveys on representative U.S. samples to explore individuals' understanding of tax, international trade and health policies and how they form their opinions on these issues. In our context, two findings are important: first, individuals' social preferences (for instance over distribution) are more important than efficiency concerns and, second, their opinions respond strongly to new (randomized) information and how it is framed. Likewise, in a randomized experiment run as part of the 2018 Latinbarometro survey across 18 Latin American countries, Chatruc, Stein and Vlaicu (2021) find people's views on international trade liberalization to be significantly influenced by information and how it is framed. These papers focus primarily on how people reason and learn about economic policies. Our paper focuses instead squarely on the political economy of reform, in an area—job protection—that this new literature has not studied. A further contribution is to show that beliefs, more than individual economic interests, shape one's views about regulation.

Our paper also relates to the literature on the political economy of reforms in general, and of labor market regulation more specifically. This literature identifies two broad groups of factors shaping people's views about regulation—individual economic interests, as reflected in endowments and other individual characteristics, and beliefs:

Individual economic interests. Under the assumption that fully-informed, rational voters will always support the regulatory stance—in our context, tight versus weak job protection—that gives them the biggest expected monetary pay-off. In such framework, job protection acts as a rent appropriation device (e.g., Saint-Paul, 1997, 2000, 2002). As a result, employees support tight job protection more than the non-employed do. Likewise, in insider-outsider labor markets characterized by protected permanent contracts and more flexible temporary contracts, permanent employees (“insiders”) defend the status quo, while temporary workers or the unemployed (“outsiders”) don't. Insofar as young, female and less educated workers have weaker attachment to the labor market, they are more likely to be outsiders and, as such, to oppose tight job protection. Further, because a rent-appropriation device is more effective at extracting higher wages where product market rents are larger, Blanchard and Giavazzi (2003) argue that incumbent workers are more supportive of tight labor regulation in less competitive industries. Fernandez and Rodrik (1991) observe that *ex ante* uncertainty regarding winners and losers can be an obstacle to welfare-enhancing reforms that benefit the majority of voters *ex post*—if a reform has a negative expected payoff for a certain group of

voters, then *all* voters in that group will oppose the reform *ex ante* even though some of them would have benefitted *ex post*.¹ Another, distinct obstacle to reform is risk aversion, which might lead an individual to oppose even reforms that have a positive expected payoff *ex ante*.

Ideology and beliefs. Many papers analyze how prevailing trust and beliefs within a society shape, and are themselves shaped by, policy (e.g., Aghion et al., 2010; Alesina and Angeletos, 2005; Alesina and Fuchs-Schündeln, 2007; Benabou and Tirole, 2006; Tabellini, 2008). Taking these insights to the specific issue of labor regulation, Aghion et al. (2011) highlight the impact of poor labor relations between workers and employers, which can lead to low unionization and high demand for labor regulation by the state. Algan and Cahuc (2009) stress the role of civic virtues; the weaker these are, the smaller is the scope for providing income insurance to workers through unemployment insurance rather than tight job protection legislation. Other papers focus on the role of family values; stronger family ties strengthen support for regulations that reduce job and geographical mobility (Alesina et al., 2015), while society's care for the male breadwinner—often rooted in religion—favors regulations that enhance his job security (Algan and Cahuc, 2003). In connection to history rather than (at least directly) beliefs, Botero et al. (2004) stress that a country's deep institutions matter for the regulation of labor; civil law is more conducive to cumbersome regulation than common law. Each of these various factors—poorer labor relations, weaker civic virtues, stronger family ties, predominance of Catholicism over Protestantism, civil as opposed to common law systems—can potentially rationalize the tighter job protection legislation observed in Southern European countries vis-à-vis their Northern European counterparts, for example.

However, this vast literature leaves unsettled the question of which factors matter most for people's views on labor market regulation and reform. Our paper makes progress on this front by identifying the respective roles of individual economic interests and beliefs in the context of a novel multi-country survey.

Finally, some papers show that endowments can shape individual beliefs. Di Tella et al. (2007) find that a (random) assignment of land titles makes beneficiaries more likely to express pro-market beliefs—for example, that money is important for happiness or that one can be successful without the support of a large group. Our paper shows that individual beliefs can also change after (random assignment) of information. We also find strong evidence that individual beliefs are not just—or even mainly—a reflection of endowments. In

¹ In our context, while *some* permanent workers may gain from reform *ex post*—such as through enhanced job mobility and career prospects, they may not know *ex ante*, and if the average expected payoff from reform is negative, *all* permanent workers will oppose the reform.

particular, in our survey, people whose endowments and other individual characteristics (e.g., labor market outsiders) should make them more likely to hold pro-reform beliefs do not turn out to be more supportive of EPL reform than other groups (e.g., insiders) in practice.

The remainder of this paper is organized as follows. Section II introduces our survey design and the questionnaire administered along with the broad issues our questionnaire enables us to explore. The section further exhibits some basic facts unraveled from the resulting cross-country dataset. Section III lays out our empirical approach, while Section IV presents our baseline results and estimated impact of our information treatment. Section V runs a battery of robustness checks, while Section VI concludes. Our detailed questionnaire is provided in an Appendix.

II. Methodology and questionnaire

II.1 Questionnaire structure and content

Our questionnaire consists of four sections. The first two sections aim to collect detailed information about individual characteristics (“socio-economic background”) and general opinions (“other background”) that capture key endowments and beliefs of relevance in our context, because they related to existing political economy theories of EPL. The other two sections focus on the respondent’s opinions about EPL (third section), including after half of the sample in each country receives a randomized information treatment (fourth section). Below is a description of each section’s key features.²

Socio-economic background. The socio-economic background part of our questionnaire collects information on the individual’s gender, age, income, country of birth (domestic or foreign), marital status, number of children, educational attainment, (self-declared) social class, (current or previous) employment status, (current or previous) industry and type of occupation.³ This information captures various individual characteristics and endowments—for example, being a highly-educated native prime-age male—that should affect one’s own expected economic payoff from EPL, and thereby one’s opinions about EPL deregulation.

Other background. Other background questions include: i) political opinions (political affiliation, support for a strong versus weak role of government in regulating the economy); ii) perceived importance and self-assessed knowledge of economic policy issues; iii) degree of support for stronger product market competition and—if currently or previously

² We refer the reader to the Appendix IV for the full details of the questionnaire.

³ For details, see Section A, questions 1-12b in the Appendix IV.

employed—perceived degree of competition in one’s industry; iv) trust in others, institutions and government, respectively (which we take the average of the three variables on trust in people, institutions and government whose values range from 1 (trust) to 4 (little trust), resulting in a “lack of trust” indicator on a 1-4 scale). These questions capture various individual endowments (e.g., degree of competition in one’s industry) and beliefs (e.g., views regarding the role of government in regulating the economy) that have been highlighted by the two strands of political economy literature that put emphasis on own economic interests and beliefs, respectively (for details, see Section B, questions 13a-21 in the Appendix).

Opinions about EPL. This section begins by explaining to the survey respondents that “*Labor laws govern layoff procedures for workers. Different procedures may apply for different groups of workers, for example those with permanent contracts and those with temporary contracts*”, followed by a question aimed at assessing their objective knowledge of what EPL does in practice, namely whether they think that making it easier for employers to lay off workers for economic reasons would increase, reduce or have no effects on: i) layoffs; ii) hires; iii) how often workers change jobs; iv) the time it takes for an unemployed person to find a job; v) chances that a worker with a temporary contract finds a permanent contract job; vi) chances that an unemployed person finds a permanent contract job; vii) the economy’s GDP.⁴ There is broad consensus in the academic literature that “increase” is the correct answer to all questions except for iv), for which “reduce” would be expected. Note that we left out controversial questions, such as whether easing EPL would also lower unemployment—this effect is theoretically ambiguous and empirically unsettled (e.g., Pissarides, 2000, 2001). The number of good answers to these 7 questions gives us an indicator of the participant’s objective knowledge of EPL on a 0-7 scale.

The respondent is then asked whether and to what extent (s)he supports or opposes making it easy for employers to lay off permanent workers for economic motives, and about the reason(s) for the answer (questions 24-26). Possible reasons for opposing EPL deregulation listed in the questionnaire include both general/societal considerations (e.g., concerns that the economy would not benefit, one’s community would be hurt, and/or inequality would rise) and individual considerations (e.g., that one might lose personally, or may or may not benefit but would rather not take the chance).⁵

⁴ See Appendix IV, Section B, question 22.

⁵ The option (that easing EPL) “might benefit me personally but, on balance, there is a higher chance it will hurt me” relates to Fernandez and Rodrik’s (1991) conjecture that, if deregulation yields unknown winners and losers *ex ante* and also has a negative expected pay-off, it will be opposed by everyone *ex ante*—even those that would have benefitted *ex post*. In principle, participants who express such concerns should also be more likely to change their opinion about EPL reform if offered compensatory measures that remove uncertainty and turn the expected reform pay-off positive (see the questions on compensatory measures below).

Next, each opponent is asked whether (s)he would become more supportive if compensatory measures were provided to address the reason(s) why (s)he opposed EPL deregulation (e.g., compensatory measures to ensure that one would gain personally if one's concern was that (s)he might lose from reform, or that everyone would gain if one's concern was that society might lose). If still opposing reform, the respondent is then asked about why (e.g. because they don't trust the government's compensatory measures, because these are not enough, or other reasons that are more ideological in nature—see question 33) (questions 27-33).

Randomized information treatment. The final section of our questionnaire consists of a randomized information treatment that enables us to test for the causal impact of one type of beliefs, namely (mis)information regarding the impact of EPL deregulation on the economy (Section D, questions 34-36). Specifically, after filling out Sections A-C of our questionnaire, half of the respondents are randomly selected and treated with the following new piece of information: “*Economists have found that making it easy for employers to lay off permanent workers when they feel the economic need to do so is beneficial for the overall economy (productivity goes up, GDP and average income go up; many workers on temporary contracts and the unemployed can get permanent jobs; and unemployed people can find new jobs more quickly).*” All participants are then asked again about whether they oppose EPL deregulation, and those treated participants who still oppose deregulation after the treatment are also asked about why (e.g., they don't trust the experts' conclusions, still think deregulation might hurt them personally, or would rather not take the chance even if they might benefit).

Estimating the impact of this information treatment will complement our simple regression analysis of how one's opinion about EPL deregulation relates to information-related variables—objective information about what EPL does to the labor market in practice (our EPL knowledge indicator mentioned above), and subjective information regarding the participant's (self-declared) interest in and knowledge of economic policy issues.

II.2. Data collection process

Our survey on opinions about EPL (de)regulation is run on a large scale across 7000 individuals in 14 advanced countries, with 500 individuals being interviewed in each country. Specifically, these countries include: i) 4 English-speaking countries—Australia, New Zealand, the United Kingdom, and the United States; ii) 4 Nordic European countries—Denmark, Finland, Norway, and Sweden; iii) 4 Mediterranean European countries—France, Italy, Portugal, and Spain; iv) 2 Asian countries—Japan and South Korea. The 14 countries show a diverse set of values, norms and institutions, including those pertaining to the labor market (see e.g. Sapir, 2006).

The survey was conducted on our behalf by NielsenIQ, a global leader in measurement and data analytics, in partnership with their long-standing panel partner, Dynata, a global online market research firm in April 2021. To select/recruit respondents, NielsenIQ and Dynata drew from the pool of pre-profiled panelists (email lists) they had in each country, contacting each potential participant by email and—after receiving acceptances and rejections—trying to collect a representative sample of the country’s population along each of the age-gender, education, employment status, income, region and socio-economic status dimensions. For each country, the final survey—translated from English to local language by NielsenIQ—was run online on 500 residents aged between 18 and 65. Participants were paid to complete the full survey, which enabled Dynata to obtain 500 full questionnaires in each country.

Remuneration varied across countries; being proprietary information, the exact monetary compensation was not shared with us. It took about 9 minutes for participants to complete the survey, on average. NielsenIQ also applied its standard procedures to further ensure data quality and integrity, including, in particular: testing the questionnaire on small numbers of participants in each country before it was rolled out; asking each participant to select a specific response from a list to ensure that survey responses were not automatic/answered by a robot; having digital fingerprinting done on the customer dialed account recording wherein personal identification and IP address checks were performed; discarding all surveys that were filled out in less than one minute.

II.3. Final sample and selected descriptive statistics

Our final sample consists of 500 individuals who filled out the questionnaire in full in each of the 14 countries covered, or a total of 7000 individuals. Table 1 shows a few key moments of the distribution of our final sample and compares them to their counterparts in the full population. While our final sample appears to be well representative of the 18-65 years-old population along the gender and, to a lesser extent, age dimensions, it tends to over-estimate the share of the population with a job and an advanced education degree. While NielsenIQ’s put in much effort to ensure representativeness, the way—through the internet—the survey was conducted still ended up over-representing higher-educated employed workers. In our empirical analysis, this issue can be addressed through sampling weights, as will be done in robustness checks; our results do not change in any significant way. By contrast, we do not re-weigh each country according to its population size, as this would give the United States—which also happens to be an outlier in terms of both its EPL regulatory stance (with the “employment at will” doctrine) and residents’ opinions about EPL, see below—about 40 percent weight, which is its share in the total population of the countries covered by our study.

Table 1. Sample representativeness

Country	Nielson Survey Sample					World Bank Development Indicators		
	# of respondents	Average age	Female % of population	% with advanced degree	Employment rate	Female % of population	% with advanced degree	Employment rate
Australia	500	40.6	51%	63%	71%	50%	47%	63%
Denmark	500	41.1	49%	51%	66%	50%	40%	59%
Finland	500	40.3	50%	55%	66%	51%	46%	55%
France	500	42.3	50%	60%	67%	52%	38%	50%
Italy	500	43.1	50%	43%	70%	51%	20%	45%
Japan	500	42.9	50%	63%	70%	51%	53%	61%
New Zealand	500	42.0	51%	62%	72%	51%	39%	67%
Norway	500	39.6	48%	59%	70%	49%	44%	62%
Portugal	500	40.1	51%	35%	69%	53%	26%	55%
South Korea	500	40.6	46%	70%	73%	50%	50%	61%
Spain	500	41.8	50%	66%	72%	51%	39%	50%
Sweden	500	41.3	49%	64%	71%	50%	44%	60%
United Kingdom	500	41.7	50%	64%	70%	51%	47%	61%
United States	500	41.5	49%	68%	71%	51%	48%	60%
Total	7000	41.4	50%	59%	70%	51%	42%	58%

Sources: Calculations based on authors' questionnaire, OECD's *Employment and Education Databases*, World Bank's *World Development Indicators*.

Table 2 provides selected descriptive statistics regarding opposition to EPL deregulation. On average, about half (47%) of respondents strongly or somewhat oppose EPL deregulation, with the other half (not shown here) being equally split between those who strongly or somewhat support deregulation and those who are indifferent. In line with theories discussed in the introduction, there is greater opposition to deregulation in Southern European (and Asian) countries than in northern-European and English-speaking countries, as well as—most strikingly—the United States. This confirms the need to account for such country fixed effects in our empirical analysis. Further, while formal regression analysis will be carried out further below, a look at the basic statistics in Table 2 points to a few preliminary insights regarding which individual characteristics/endowments and beliefs seem to be associated with above- or below-average support for deregulation:

Individual characteristics. Prime-age workers oppose deregulation less than the average respondent does (36.6% versus 47%), while women and the unemployed oppose it slightly more (50.9% and 50.5%, respectively). These numbers are at odds with an insider-outsider approach to the political economy of EPL reform, according to which insiders such as prime-age employed males should be most fiercely opposed to easing protection for permanent contracts. Below-average opposition from temporary workers and respondents who have not worked previously lines up a bit better with an insider-outsider approach, however. The (self-declared) upper class is less opposed to EPL deregulation than lower classes, seemingly

consistent with the fact that they are more likely not to be subject to EPL (e.g., high-skilled self-employed workers, CEOs ... etc), or to be subject to it but productive enough that they differ from the less productive marginal worker at risk of being laid off if firing costs were cut.

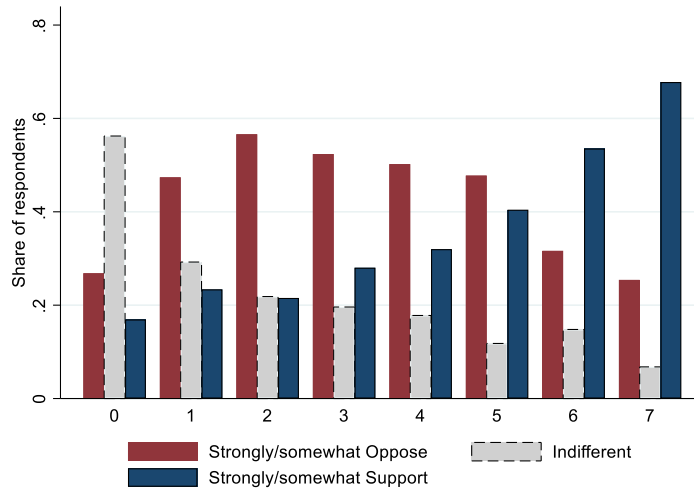
Beliefs. Many beliefs shape individual opinion about EPL reform. Political views likely matter—leftwing respondents and those who support a major government role in the economy are more opposed to deregulation than the average respondent. Participants who don't trust institutions and others are also more strongly opposed to deregulation. By contrast, those who know more about the economics of EPL are less opposed to reform. They are also less likely to be indifferent about the issue (Figure 1).

Table 2. Selected descriptive statistics

Variable	Share of Opposing EPL Reform	Share of Population
Average	47.0	100.0
Female	50.9	49.6
Prime age (36-55)	36.6	37.3
Senior (55-64)	56.8	28.8
Have one or more children	42.4	44.2
Low skilled	48.4	41.2
Upper class	31.7	13.2
Unemployed	50.5	9.4
Not worked previously	34.9	5.0
Major role of gov. regulating economy	60.1	34.4
Politically right	37.9	14.1
Lack of trust	54.5	39.9
Competition is good	48.1	60.0
Competition is high	47.1	26.2
Knowledgeable in EPL	30.7	5.7
Economic policy is important	50.3	83.5
Knowledgeable in economic policy	46.4	64.8
US	25.6	7.1
English Speaking (excl. US)	44.5	21.4
Asian	55.0	14.3
Northern Europe	42.6	28.6
Southern Europe	54.6	28.6

Sources: Calculations are based on authors' questionnaire.

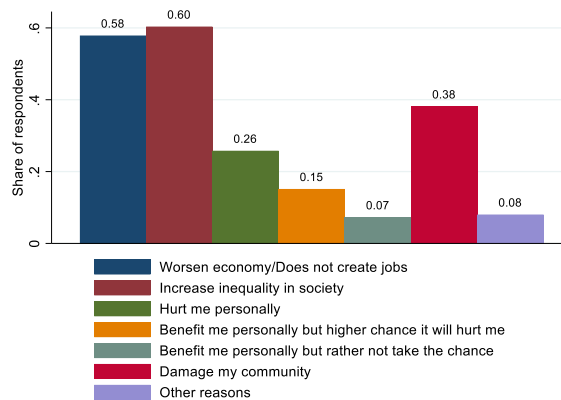
Figure 1. Objective knowledge of EPL (on a 0-7 scale) and opposition to deregulation



Notes: The figure shows the share of respondents who oppose, support or are indifferent to EPL deregulation (y-axis) for each of seven bins of respondents classified according to their objective knowledge of the economics of EPL on a 0-7 scale (x-axis). For details see Section C, Q. 22 of the Appendix IV.

Turning to respondents’ stated reasons for opposing EPL deregulation, “societal” concerns turn out to be far more cited than individual concerns regarding one’s own exposure to the consequences of reform, as shown in Figure 2. About 60% of opponents to deregulation flag their concerns that it could worsen the economy’s situation, fail to create jobs and/or increase inequality in society. 38% are concerned that deregulation could damage their community. Only 26% are concerned that it could hurt them personally. As stated, opponents’ views do not seem to be much motivated by other factors put forward in the literature, such as ex ante uncertainty about winners and losers—the argument put forward by Fernandez and Rodrik (1991), which only 15% of respondents highlight as a concern—and/or risk aversion.

Figure 2. Reasons for opposing EPL reforms



Notes: This chart shows, for the sub-sample of respondents who (moderately or strongly) oppose EPL deregulation, the stated reasons for such opposition. Multiple choices are allowed. See Q. 25 in Appendix IV.

III. Empirical approach and baseline estimation results

The main empirical analysis on who supports/opposes EPL reform is based on the following linear probability model specification:

$$y_{ijoc} = \alpha + \beta X_{ijoc}^{Indiv} + \gamma X_{ijoc}^{Work} + \delta X_{ijoc}^{Ideology} + \omega_c + \phi_j + \eta_o + \epsilon_{ijoc}, \quad (1)$$

where i, j, o, c represents individual, industry, occupation, and country, respectively. y_{ijoc} is the survey respondents' opinion on EPL reforms. In the baseline specification, we use a dummy equal to 1 if an individual i opposes or strongly opposes EPL reforms and 0 otherwise. X_{ijoc}^{Indiv} is a set of individual characteristics, X_{ijoc}^{Work} is a set of variables on work status—which is another set of individual characteristics, and $X_{ijoc}^{Ideology}$ is a set of variables related to ideology and beliefs. Lastly, ω_c, ϕ_j , and η_o are country, industry, and occupation fixed effects, respectively. Controlling for country fixed effects is crucial as EPL tightness differs across countries, and unobserved country-specific characteristics might also affect societal attitudes towards EPL—such as the generosity of unemployment benefits as an alternative way to protect workers against the risk of income loss, the quality of labor relations (Aghion et al., 2011), and society's care for the male breadwinner (Algan and Cahuc, 2003), among others. We use as baseline group prime-age single high-skilled American-born middle-class men without children employed on permanent contracts

Coefficient estimates from our linear probability model can be interpreted as the change in the likelihood of opposing reform (deregulation) in response to a unit change in the independent variable. Recognizing that the linear probability model is subject to predicting values that could be above one or below zero, we also examine robustness of our results to alternative methods, including logit/probit and ordered logit models.

We follow Sterck (2019) to formally examine the relative contributions of sets of variables (individual characteristics, work status, and ideology), to the variation of opinions on EPL reforms. We also assess why people oppose reforms, including the possible role of (mis)information through a randomized information treatment. These results are scrutinized under different estimation techniques, weighting schemes and dependent variables.

III.1. Who opposes EPL regulation?

Table 3 presents our baseline results from regressing EPL reform support/opposition on three groups of variables: a) *Individual Characteristics*; b) *Work Status*; c) *Ideology*. Individual characteristics include gender (female), age (young, senior), nationality (foreign born), married, having children, education (low-skilled), and social class (upper or lower class). For work status, we include employment status (unemployed, out of labor force, temporary contract, self-employed, not worked previously).

Table 3: Baseline: Opposition to EPL reform – Individual characteristics, work status and ideology

		(1)	(2)	(3)	(4)
Individual Characteristics	Female	5.7*** (1.06)	5.8*** (1.16)	4.3*** (1.29)	3.9** (1.32)
	Young	-12.0*** (1.60)	-11.6*** (1.62)	-11.6*** (1.84)	-11.8*** (1.82)
	Senior	3.3* (1.86)	4.4** (1.82)	2.4 (1.66)	2.6 (1.64)
	Foreign born	-2.7 (2.48)	-1.2 (2.70)	-0.6 (2.47)	-0.9 (2.46)
	Married	-1.4 (1.45)	-1.2 (1.37)	-1.3 (1.41)	-1.0 (1.41)
	Have one or more children	-4.8** (2.10)	-5.1** (2.03)	-5.7** (2.32)	-5.3** (2.36)
	Low skilled	0.2 (1.63)	-0.3 (1.27)	0.5 (1.26)	-0.1 (1.22)
	Lower class	-1.6 (2.26)	-0.5 (2.35)	-1.8 (2.37)	-1.9 (2.32)
	Upper class	-11.5*** (1.84)	-9.7*** (1.51)	-9.2*** (1.77)	-8.0*** (1.79)
	Work Status	Unemployed	-0.2 (1.91)	-1.2 (1.81)	0.2 (1.83)
Out of labor force		0.6 (2.16)	0.2 (1.92)	1.1 (2.53)	0.8 (2.52)
Temporary contract		-2.4 (2.12)	-3.4 (1.99)	-3.1 (2.07)	-3.7* (2.03)
Self employed		-3.7 (2.55)	-4.0 (2.42)	-2.6 (2.47)	-2.2 (2.47)
Not worked previously		-12.8*** (2.82)	-10.9*** (2.56)		
Ideology	Little role of gov. regulating economy	-5.1** (1.75)	-5.4** (1.91)	-6.6*** (2.08)	-6.7*** (2.03)
	Major role of gov. regulating economy	14.9*** (1.86)	14.1*** (1.50)	13.6*** (1.53)	13.8*** (1.54)
	Politically right	-7.7*** (2.29)	-7.2*** (2.13)	-6.4** (2.29)	-6.2** (2.30)
	Politically left	12.2*** (2.29)	12.3*** (1.81)	12.6*** (1.81)	12.5*** (1.78)
	Lack of trust	8.6*** (0.87)	7.2*** (0.93)	7.1*** (0.97)	6.9*** (0.97)
	Competition is good	3.8** (1.55)	3.5** (1.48)	3.4* (1.73)	3.5* (1.73)
	Competition is high	1.6 (1.68)	1.3 (1.57)	2.3 (1.69)	2.5 (1.75)
	Objective knowledge of EPL	-17.6*** (1.59)	-17.6*** (1.56)	-18.6*** (1.46)	-18.4*** (1.45)
	Economic policy is important	16.1*** (1.86)	15.2*** (1.71)	14.0*** (1.76)	14.0*** (1.69)
	Self-declared knowledge of economics	-3.7*** (0.88)	-4.6*** (1.03)	-4.5*** (1.27)	-4.2*** (1.27)
	Country FE	No	Yes	Yes	Yes
	Industry FE	No	No	Yes	Yes
	Occupation FE	No	No	No	Yes
	Observations	7000	7000	6216	6216
	R-squared	0.13	0.14	0.15	0.15

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

Ideology variables include beliefs on the role of government in regulating economy (little or major role of government in regulating economy), politically right/left, lack of trust, view on competition (good or bad) in general and in the respondent's own industry (competition in your own industry is high or not), objective knowledge of EPL, beliefs regarding the importance of economic policy, and self-declared knowledge of economic policy.

Columns 1-4 in Table 3 present results incorporating various fixed effects. For this discussion let us focus on Column 4, which includes the most complete set—country, industry, and occupation fixed effects. Most *Ideology* variables are statistically significant—indeed out of a total of 10 variables 9 are statistically significant (of which 7 at the 1% level). This contrasts with the *Individual Characteristics* variables, of which only 4 out of 9 are statistically significant (of which 2 at 1% level); and further contrasts to the *Work Status* variables—only 1 out of 5 are found to be significant and only at the 10% level.

The *ideology* variables deserve a closer look. For interpretation, it is useful to divide them in three subgroups: first, standard ideological variables which refer to the role of the state and the preference for redistribution (role of the government, self-reported placement in the political spectrum); second, trust, which has been identified as a key variable in the literature; third, information—objective knowledge of EPL, and self-declared knowledge of, and degree of importance attached to, economic issues.

Coefficient estimates of variables which reflect a respondent's perception of the role of government in regulation (big/small) and political orientation (left/right) have the expected signs, large magnitudes, and high statistical significance. Rightwing-oriented respondents and those who believe in a smaller role of government favor EPL reform. Interestingly, individuals who lack trust (in others and/or institutions) are more likely to oppose EPL reform; this might reflect their greater skepticism vis-à-vis measures that often feature prominently in political debates and platforms, or their greater fear of being arbitrarily fired making them more supportive of (even possibly inefficient) rules.

The results also point to a major role for (mis)information in shaping people's opinions about EPL (de)regulation, as shown by the large and highly significant coefficient estimates of the three variables capturing information. As expected, all else equal, respondents with greater objective knowledge of EPL and self-assessed knowledge of economic issues less likely to oppose EPL deregulation. However, respondents who think economic policy issues are important tend to be more opposed to deregulation—suggesting that, unlike actual knowledge of economic issues, their perceived importance does not necessarily translate into greater support for measures advocated by mainstream economists.

Turning to the variables related to individual endowments, there is very limited support to the “insider-outsider” approach to the political economy of EPL in the data. As such approach would predict, young people are less opposed to EPL deregulation, but the opposite holds true for women, while foreign-born individuals' opinions do not statistically differ from those of natives; yet all three groups—youth, women, immigrants—are typically seen as labor market outsiders. Likewise, work status plays only a limited role; the unemployed and

non-labor-force participants are not less likely to oppose EPL deregulation, while the opinion of temporary workers—yet another group of outsiders—differs from that of other respondents only at the 10 percent confidence level. The upper class is less opposed to EPL deregulation even though it consists predominantly of labor market insiders—prime-age males on permanent contracts.

Finally, the estimated fixed effects (not shown here but available upon request) appear to be plausible and in line with insights from some of the earlier literature. Specifically, there is greater country-wide opposition to EPL deregulation in Southern European and, to a lesser extent, Asian economies (Japan and Korea) than there is in English-speaking and Northern European countries. Likewise, there is less opposition by professions (such as managers and farmers) and workers in industries (such as mining and construction) for which EPL typically does not apply.

III.2. Relative importance of ideology and individual characteristics

To compare more formally the relative importance of individual characteristics, work status, and ideology in explaining the variations in respondents' opinions on EPL reforms, we follow Sterck (2019). Sterck (2019) calculates the relative contributions in the unit of the dependent variable by multiplying the absolute values of estimated coefficients by the dispersion measures of their corresponding independent variables, using the following formula:

$$\alpha_i = \frac{|\widehat{\beta}_i| \widehat{\delta}_i}{\sum_{i=1}^k |\widehat{\beta}_i| \widehat{\delta}_i + \frac{\widehat{\delta}_\epsilon^2}{(1/k) \sum_{j=1}^k |\widehat{\beta}_j| \widehat{\delta}_j}}, \quad (2)$$

where α_i measures the relative importance of variable $i \in \{1, \dots, k\}$, $|\widehat{\beta}_i|$ is the absolute value of the estimated coefficient of variable i , and $\widehat{\delta}_i$ is the dispersion measured by either the standard deviation or the mean absolute deviation of variable i . $\widehat{\delta}_\epsilon$ is the standard deviation of the error term, which accounts for the contribution of the error term to the dispersion of the dependent variable.

Table 4 reports the relative contributions of different sets of variables to respondents' opinions on EPL reform. The set of ideology and belief variables plays a greater role in explaining variations in opinions about EPL reforms than individual characteristics and work status combined. Specifically, our baseline results shown in Column 3 suggest that ideology and beliefs (e.g., political orientation, trust, and variables that capture information about EPL and economic issues) explain the dispersion in opinions about EPL reform almost three times more ($2.60=4.37/1.68$) than individual characteristics (e.g., gender, age group, education, or social status), and five times more ($5.4=4.37/0.81$) than work status (employment status and contract types). The results are robust to calculating the statistics excluding error terms (Column 1), assigning the average contribution weights of other variables instead of a contribution weight of 1 to error terms (Column 2), incorporating the statistically

insignificant variables (Column 4), or using the coefficients from a regression featuring only the statistically significant variables (Column 5). In Appendix Table A1, we show the contributions of *each* individual variable in explaining the variation in opposition to EPL deregulation. Leaving aside country fixed effects, four out of the top five individual variables with the largest contributions belong to the group of ideology variables (“major role of gov. regulating economy”, “economic policy is important”, “lack of trust”, and “politically left”), further supporting our claim that ideology matters more than other sets of variables.

Table 4. Relative Contributions of Independent Variables in Explaining the Variations in Opposition to EPL Reforms

	Method 1: account for significant observables only	Method 2: account for observables + error terms	Method 3: account for observables + alternative error terms	Method 4: account for all observables incl. insignificant variables	Method 5: regress only on significant variables
Individual Characteristics	12.3%	8.6%	1.7%	9.7%	9.1%
Work Status	5.9%	4.1%	0.8%	6.6%	4.3%
Ideology	31.9%	22.2%	4.4%	21.1%	22.1%
Country Fixed Effects	49.9%	34.8%	6.9%	33.0%	34.4%
Error terms	-	30.3%	86.2%	29.6%	30.1%

Notes: Contributions of different sets of variables are calculated following Sterck (2019). Variables under Individual Characteristics, Work Status, and Ideology are those presented in Table 1. Industry and Occupation FEs are included as work status variables.

Finally, the country fixed effects make the largest contribution to explaining the dispersion of opinions about EPL reform. Country fixed effects account *inter alia* for differences in EPL regimes, other labor market institutions—such as unemployment insurance—that protect workers against the risk of income loss, the quality of labor relations, political systems, country-level economic conditions, or differences in cultural norms and beliefs.

Disentangling the respective roles of these various factors is beyond the scope of this paper, which focuses on the roles of “individual-level” differences in ideology and characteristics.⁶

In summary, our empirical analysis so far points to beliefs being more significant correlates of opposition to EPL reform than individual characteristics.

III.3. Why do people oppose EPL (de)regulation?

As discussed in the introduction, many papers analyze how prevailing trust and beliefs among society shape, and are themselves shaped by, policy (e.g., Aghion et al., 2010; Alesina and Angeletos, 2005; Alesina and Fuchs-Schündeln, 2007; Benabou and Tirole, 2006; Tabellini, 2008) while some other papers show that endowments can shape individual beliefs (Di Tella et al., 2007). To dig deeper into the factors affecting perceptions about EPL deregulation, we delve into the question of why people oppose EPL (de)regulation. Specifically, we investigate what factors drive the differences between personal and societal

⁶ The results based on *mean absolute deviations* are qualitatively the same as those using *standard deviations* (see Appendix I).

reasons for opposing EPL reform. To this end, we run an OLS regression on the sub-sample of those respondents who (moderately or strongly) oppose EPL reform, in which the dependent variable now reflects whether people oppose EPL reform for personal rather than societal reasons, and the regressors are those same variables used in the baseline framework in Section III.1. Specifically, the dependent variable is a dummy variable equals 1 if the respondents answered “personal reasons” —(i) “hurt me personally”, (ii) “benefit me personally but higher chance it will hurt me” or (iii) “benefit me personally but rather not take the chance” —and 0 if the respondents answered “societal reasons”—(i) “worsen economy/does not create jobs”, (ii) “increase inequality in society”, or (iii) “damage my community”.

Table 5 presents coefficient estimates only for selected variables that obtain significant results. Individuals who could personally benefit from EPL reforms due to their individual characteristics and endowments (e.g., unemployed, out-of-the-labor-force, self-employed), are not only just as likely to oppose EPL deregulation as others—as shown in Table 3—but they are also more likely to oppose it on societal (rather than personal) grounds. This is again consistent with a key role of beliefs based on ideology in driving people’s opinion about EPL (de)regulation.

Table 5. Personal vs. societal reasons for opposing (de)regulation

	(1)	(2)
Senior	-6.3** (1.87)	-5.9** (2.12)
Unemployed	-7.2** (2.88)	-8.2** (3.09)
Out of labor force	-10.2*** (1.81)	-11.9*** (2.03)
Self employed	-11.5*** (2.57)	-11.3*** (2.48)
Major role of gov.	-2.3** (0.91)	-1.5 (1.12)
Politically left	-3.5* (1.92)	-3.9* (1.86)
Lack of trust	2.1* (1.05)	2.4* (1.16)
Country FE	Yes	Yes
Industry FE	No	Yes
Occupation FE	No	Yes
Observations	3175	2901
R-squared	0.05	0.05

Notes: Dependent variable equals 1 if respondent is opposing EPL reforms due to personal reasons, 0 if due to societal reasons. Standard errors are clustered at country level. * p < 0.1, ** p < 0.05, *** p < 0.01.

Another question worth looking into is whether opponents to EPL reform change their mind if appropriate compensatory measures are taken to address their concerns. Depending on the stated nature of these concerns, respondents were asked whether they would change their mind if appropriate compensatory measures were offered—to ensure everyone gains, if the concern was that reform might increase inequality, or to ensure the respondent would end up benefitting for sure, if the concern was that reform might hurt her personally, might benefit her but with a greater chance it might hurt, or might benefit her but she would rather not take the chance (see Appendix IV, questions 27, 29, 31 and 32). In all cases, only about one third of opponents to reform changed their position when offered adequate compensation (31.8% to 35.7% depending on the stated reason for their original opposition). This means that, even if compensatory measures were to be implemented to fully address their concerns, a solid majority of two-thirds of reform opponents would not change their mind. This result is again consistent with a predominant role of ideology and beliefs, rather than pecuniary gains and losses alone, in shaping people’s opinions about reform.⁷

III.4. Randomized evidence on the role of beliefs

The previous section showed that, even when using appropriate corrective measures that affect personal gains, only one third of respondents changed their opinion to favor EPL reform. How else could people change their perceptions? As shown above, ideology and beliefs, including (mis)information about EPL, play an important role in explaining people’s perceptions. In this section, we provide more causal evidence about the role of (mis)information by examining how new information changes respondents’ opinion. We do this by providing a randomly chosen sub-set of survey respondents with expert information on EPL that could change potentially change their perceptions.

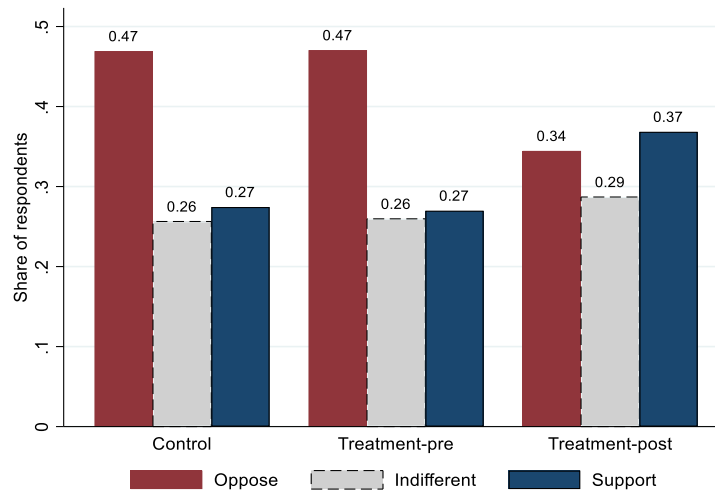
Specifically, we randomly select half of the (treated) respondents to provide them with information on EPL reforms and then test whether those who receive such information treatment subsequently change their views about EPL deregulation vis-à-vis respondents who do not receive such information. The information treatment randomly provided to half of the respondents is described the Appendix: “Economists have found that making it easy for employers to lay off permanent workers when they feel the economic need to do so is beneficial for the overall economy (productivity goes up, GDP and average income go up; many workers on temporary contracts and the unemployed can get permanent jobs; and unemployed people can find new jobs more quickly).”

Figure 3 shows the fraction of respondents opposing/being indifferent/supporting EPL reform for the control group, the treated group prior to treatment, and the treated group after treatment. The opinions of treatment and control groups do not differ prior to treatment—by design given the randomization of our treatment, but they do after treatment. We find that a large, highly significant fraction of the treated respondents change their views. Specifically, the fraction of respondents in the treatment group who oppose deregulation declines by

⁷ For detailed results see Appendix II.

roughly 13 percentage points (from 47% to 34%), while the fraction of respondents who support deregulation increases by 10 percentage points (27% to 37%). These numbers imply that, among those respondents in treatment group who initially opposed EPL deregulation, around 1/3 (36.5%) of them change their position from opposition to support for reform.

Figure 3. Information treatment: control and treatment groups



Notes: Respondents are divided into control and treatment groups, calculating in each group the shares of those who oppose and those who support EPL deregulation. The chart shows how opinions in the treated group differ before and after the information treatment.

To formally test for this, we regress the change in the dummy variable capturing opposition to EPL reforms between the pre-treatment and post-treatment observations on the information treatment dummy, and find that those who received the information treatment are significantly more likely to switch to supporting EPL reform (Table 6, Column 1).⁸ This also holds true when we use raw scores (Table 6, Column 2). This finding is again consistent with a major role of beliefs/ideology in driving people's opinions on EPL (de)regulation, and also indicates that beliefs can be fickle.

Table 6. EPL information treatment

	(1) Scale of change [-1,1] (from opposed to supportive of deregulation)	(2) Scale of change [-4,4] (from more opposed to more supportive of deregulation)
Information Treatment	12.6*** (1.16)	30.3*** (2.47)

⁸ Note that all the independent variables in our baseline regression (Table 3) drop out when we take the difference between pre- and post-treatment observations, as they do not change.

Observations	7000	7000
R-squared	0.038	0.049

Notes: In model (1), the dependent variable takes value 1 if respondents change their opinion from being opposed to being supportive of EPL deregulation after receiving the information treatment. In model (2), the dependent variable is calculated as the difference in raw scores ranging from -4 (strongly opposed) to 4 (strongly supportive).

IV. Sensitivity Analysis

We subject our baseline results to a battery of robustness checks. The results are robust to i) alternative estimation techniques, ii) different weighting schemes, and iii) changes in the definition of the dependent variable.

First, we show that our baseline results are robust to using logit and probit models instead of a linear probability model (see Table 7, Column 1-2).

Second, the results are also robust to various weighting schemes that ensure sample representativeness. Due to the online survey design by Nielsen, the survey respondents tend to be more highly educated and younger than in each country's population. To ensure the representativeness of our sample along the demographic and skill dimensions, we rescale the weights in our sample by gender, age groups (16-24, 25-34, 35-44, 45-54, and 55-65 years old), and skill groups (high or low) to match the population samples in each cell. By doing so, we assign more weight to groups that are under-represented (older and less educated individuals) in our survey. Moreover, we consider two alternative cases: i) sample weights summing up to one within each country so that we treat equally an individual in one country vis-à-vis another in a different country; and ii) sample weights summing up to each country's population share so that an individual in a more populated country receives greater weight in the regression (see Table 7, Column 3-4).

Lastly, the results are also robust to different dependent variable definitions. These include: i) switching the dependent variable to a dummy variable equal to one if a respondent supports (instead of "opposes") reform and zero otherwise—that is, re-estimating our baseline regression focusing on correlates of support for reform, rather than on correlates of opposition to reform; ii) using a dependent variable using raw scores, that varies between -2 and 2 (taking values -2, -1, 0, +1 and +2 for "strongly oppose", "oppose", "indifferent", "support" and "strongly support"), instead of a simple dummy variable in the baseline regression; and iii) running an ordered logit model on this alternative dependent variable using the raw scores (see Table 7, Column 5-6, and Table 8). The complete set of robustness results with full controls (including occupation and industry fixed effects) are shown in Appendix III Table A3-A8.

Table 7: Robustness checks: Alternative estimation techniques, weighting schemes and dependent variable definitions – Opinions about EPL reform

	(1)	(2)	(3)	(4)	(5)	(6)
	Logit	Probit	Weight 1	Weight 2	Support	Raw
Female	3.8*** (1.32)	3.8*** (1.32)	4.7*** (1.50)	4.2** (1.51)	-2.3* (1.14)	-8.7** (3.34)
Young	-11.6*** (1.68)	-11.7*** (1.76)	-12.7*** (1.76)	-7.4* (3.57)	6.4*** (1.54)	24.7*** (3.57)
Senior	2.4 (1.63)	2.5 (1.63)	2.4 (1.57)	6.3*** (1.68)	1.2 (1.93)	-3.5 (4.69)
Foreign born	-0.7 (2.38)	-0.7 (2.39)	-0.9 (2.49)	-3.6 (3.45)	-1.2 (2.35)	-2.0 (5.57)
Married	-0.8 (1.40)	-1.0 (1.40)	-1.1 (1.71)	-0.3 (1.81)	1.0 (1.10)	0.5 (3.79)
Have one or more children	-5.3** (2.29)	-5.2** (2.30)	-4.8 (2.74)	-4.1 (2.35)	5.6*** (1.47)	15.3*** (4.70)
Low skilled	-0.1 (1.19)	-0.2 (1.19)	-0.7 (1.53)	-2.1 (1.25)	-2.4** (0.93)	-2.4 (2.66)
Lower class	-1.9 (2.26)	-1.9 (2.22)	-0.2 (3.06)	1.5 (3.06)	5.0 (2.88)	9.2 (6.11)
Upper class	-8.0*** (1.89)	-7.8*** (1.83)	-6.3*** (1.99)	-6.8*** (1.89)	7.5*** (2.02)	24.8*** (4.41)
Unemployed	-0.5 (1.73)	-0.5 (1.64)	-0.8 (1.65)	-3.0 (1.95)	-0.3 (1.68)	1.3 (4.76)
Out of labor force	0.7 (2.51)	0.6 (2.44)	0.1 (2.25)	4.1 (4.16)	-0.3 (1.45)	-3.2 (4.84)
Temporary contract	-4.1** (2.07)	-4.1* (2.10)	-3.8 (2.52)	-0.5 (2.98)	0.8 (1.79)	7.3 (4.28)
Self employed	-2.2 (2.46)	-2.0 (2.47)	-3.3 (2.97)	3.4 (3.44)	3.8 (2.16)	13.9** (5.54)
Little role of gov. regulating economy	-6.6*** (2.03)	-6.6*** (2.03)	-5.6** (2.34)	-5.1** (2.06)	4.7** (1.80)	13.3** (4.72)
Major role of gov. regulating economy	13.1*** (1.48)	13.2*** (1.50)	13.4*** (1.70)	16.6*** (2.03)	-6.6*** (1.02)	-31.6*** (3.51)
Politically right	-6.3*** (2.26)	-6.0*** (2.27)	-6.7** (2.46)	-1.2 (5.57)	7.2*** (2.02)	19.2*** (4.97)
Politically left	12.3*** (1.77)	12.4*** (1.75)	11.7*** (2.33)	7.5** (2.76)	-5.3*** (1.73)	-30.8*** (4.29)
Lack of trust	7.0*** (1.01)	7.0*** (0.97)	7.1*** (0.95)	7.3*** (1.18)	-7.5*** (1.49)	-24.0*** (3.60)
Competition is good	3.4** (1.75)	3.4* (1.76)	3.2 (2.24)	6.1** (2.05)	8.3*** (1.54)	7.0 (4.18)
Competition is high	2.3 (1.76)	2.2 (1.75)	3.1* (1.73)	2.8* (1.42)	7.0*** (1.21)	4.8 (4.16)
Objective knowledge of EPL	-19.2*** (1.64)	-18.9*** (1.72)	-18.1*** (1.42)	-16.4*** (1.23)	25.5*** (2.59)	69.6*** (4.99)
Economic policy is important	14.1*** (1.71)	13.8*** (1.70)	13.1*** (1.45)	13.4*** (1.41)	-0.7 (1.57)	-17.6*** (3.91)
Self-declared knowledge of economics	-4.1*** (1.20)	-4.1*** (1.22)	-3.2** (1.40)	-4.5*** (1.28)	7.1*** (1.62)	13.1*** (3.38)
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes	Yes
Occupation FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6216	6216	6216	6216	6216	6216
R-squared			0.14	0.19	0.13	0.18

Notes: In (1)-(4), dependent variable equals 1 if respondent opposes to EPL reform. (3) re-weights the sample based on national demographics, and (4) re-weights based on national demographics and country population. In (5), dependent variable is flipped so that 1 meaning respondent supporting EPL reform. In (6), dependent variable is raw score from -2 to 2, from -2 meaning strongly opposed to 2 meaning strongly supportive on EPL reform. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

Table 8: Robustness checks: Ordered Logit – Opinions about EPL reform

	(1)	(2)	(3)	(4)	(5)
	-2 Strongly Oppose	-1 Oppose	0 Indifferent	1 Support	2 Strongly Support
Female	2.1** (0.82)	0.9** (0.38)	-0.6** (0.23)	-1.8** (0.69)	-0.7** (0.28)
Young	-5.9*** (0.81)	-2.7*** (0.41)	1.6*** (0.28)	5.0*** (0.72)	2.0*** (0.25)
Senior	1.2 (1.21)	0.6 (0.54)	-0.3 (0.33)	-1.0 (1.02)	-0.4 (0.41)
Foreign born	0.7 (1.33)	0.3 (0.60)	-0.2 (0.36)	-0.6 (1.13)	-0.2 (0.44)
Married	-0.1 (0.96)	-0.0 (0.43)	0.0 (0.26)	0.0 (0.82)	0.0 (0.32)
Have one or more children	-3.9*** (1.19)	-1.8*** (0.56)	1.1*** (0.35)	3.4*** (1.04)	1.3*** (0.37)
Low skilled	0.6 (0.65)	0.3 (0.29)	-0.2 (0.17)	-0.5 (0.55)	-0.2 (0.21)
Lower class	-2.1 (1.51)	-1.0 (0.65)	0.6 (0.39)	1.8 (1.28)	0.7 (0.49)
Upper class	-6.5*** (1.21)	-2.9*** (0.53)	1.8*** (0.33)	5.5*** (1.04)	2.2*** (0.41)
Unemployed	0.2 (1.30)	0.1 (0.58)	-0.1 (0.35)	-0.2 (1.10)	-0.1 (0.43)
Out of labor force	1.0 (1.27)	0.4 (0.58)	-0.3 (0.35)	-0.8 (1.07)	-0.3 (0.43)
Temporary contract	-1.6 (1.06)	-0.7 (0.49)	0.4 (0.29)	1.4 (0.91)	0.5 (0.36)
Self employed	-3.3** (1.37)	-1.5** (0.62)	0.9** (0.37)	2.8** (1.19)	1.1** (0.44)
Little role of gov. regulating economy	-3.0** (1.18)	-1.4** (0.55)	0.8*** (0.29)	2.6** (1.06)	1.0*** (0.38)
Major role of gov. regulating economy	8.3*** (0.88)	3.7*** (0.48)	-2.2*** (0.28)	-7.0*** (0.83)	-2.7*** (0.31)
Politically right	-5.1*** (1.21)	-2.3*** (0.49)	1.4*** (0.27)	4.4*** (1.06)	1.7*** (0.38)
Politically left	7.9*** (1.14)	3.6*** (0.51)	-2.1*** (0.28)	-6.7*** (1.08)	-2.6*** (0.34)
Lack of trust	6.1*** (1.05)	2.8*** (0.50)	-1.7*** (0.38)	-5.2*** (0.81)	-2.0*** (0.37)
Competition is good	-1.8* (1.08)	-0.8* (0.48)	0.5* (0.29)	1.6* (0.91)	0.6* (0.35)
Competition is high	-0.9 (1.08)	-0.4 (0.49)	0.2 (0.30)	0.8 (0.91)	0.3 (0.36)
Objective knowledge of EPL	-19.1*** (1.54)	-8.6*** (0.72)	5.1*** (0.58)	16.2*** (1.22)	6.3*** (0.65)
Economic policy is important	4.1*** (0.96)	1.8*** (0.43)	-1.1*** (0.27)	-3.5*** (0.83)	-1.4*** (0.31)
Self-declared knowledge of economics	-2.8*** (0.76)	-1.3*** (0.33)	0.8*** (0.21)	2.4*** (0.64)	0.9*** (0.26)
Country FE	Yes	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes	Yes
Occupation FE	Yes	Yes	Yes	Yes	Yes
Observations	6216	6216	6216	6216	6216

Notes: Estimated with ordered logit regression. Dependent variable is raw score from -2 to 2, from -2 meaning strongly opposed to 2 meaning strongly supportive on EPL reform. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

V. Conclusion

The covid-19 pandemic had a deep impact on labor markets and rekindled the debate on policy reforms, such as job protection deregulation, that would facilitate labor reallocation away from hard-hit industries and firms towards benefitting ones. The political economy of reform is once again coming back to the fore. Yet, despite much investigation, a key question remains unanswered. What drives public opposition to reforms? Self-interest, or ideology and beliefs? And can the latter be changed, and if so, how? This paper answers these questions by looking at people's preferences for employment protection legislation reform in 14 countries. The response is clear: ideology trumps self-interest in explaining attitude towards reform, and ideology can change with new (expert) information.

Ideologies are lenses through which people interpret events and policies. With lenses, the same facts or policies can be seen or interpreted in a different way; as also, just like lenses can be modified to improve focus, ideology can be modified with new information. Of course, the strength of ideology is neither unexpected nor limited to labor market reforms. The recent experience of Covid vaccination and strong ideologically charged antivax movements in many countries is a reminder that ideology can be stronger than individual self-interest.

What does the dominance of ideology mean for reform strategies? Politicians need to forge a political consensus within the existing ideologies or try to alter these; merely appealing to self-interest is not enough. In times when the ideological divide is rapidly growing, achieving consensus can prove difficult. Altering ideology through appropriate communication strategies might offer a hopeful alternative, as the large and significant impact of expert opinion uncovered by our research suggests.

What should future research focus on? Our research points to at least three promising avenues. First, while we focused on reforms of employment legislation because this is a salient policy area in which most of the population has direct self-interest and holds strong opinions, there are many other reforms that concern only a few sectors and yet are very important for the economy and society—examples include domestic product market deregulation or international trade liberalization, which are often sectoral in nature. Does ideology also play a key role in these cases, or is its impact much greater for broader economy-wide policy issues? More generally, are some fields more ideologically charged than others? A second issue for future investigation is the role of new information. This paper focused on expert opinion (which we show matters), but new information could come in different forms. For instance, the covid-19 pandemic increased public opinion's sensitivity to climate change (see e.g. Mohommad and Pugacheva, 2021). Third, there are important ideological differences across countries, as the dispersion of country fixed effects in our analysis suggests, that would be worth exploring. Does ideology play a larger role in some

countries, and if so why? While the literature that motivated our paper has provided some insights into this question, much remains to be uncovered.

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Appendix

Appendix I.

Table A.1: Contributions of individual variables to the dispersion in opinions about EPL deregulation

	Method 3
<u>Individual Characteristics</u>	
Female	0.25%
Young	0.74%
Have one or more children	0.34%
Upper class	0.35%
<u>Work Status</u>	
Industry FE	0.33%
Occupation FE	0.48%
<u>Ideology</u>	
Little role of gov. regulating economy	0.29%
Major role of gov. regulating economy	0.85%
Politically right	0.28%
Politically left	0.60%
Lack of trust	0.64%
Competition is good	0.22%
Competition is high	
Knowledgeable in EPL	0.55%
Economic policy is important	0.68%
Knowledgeable in economic policy	0.26%
<u>Country FE</u>	6.87%
<u>Error Terms</u>	86.27%

Notes: This table shows the contributions of the each of significant variables only from Table 2 in the main text. Contributions of Industry, Occupation and Country FEs show the sum of each dummy variable within the group.

Appendix II
Table A2: Personal vs. Societal reasons for opposing EPL reform, full results

	(1)	(2)
Individual Characteristics		
Female	-2.1*	-1.0
	(1.10)	(1.33)
Young	0.2	-0.8
	(1.93)	(1.84)
Senior	-6.3***	-5.9**
	(1.87)	(2.12)
Foreign born	4.7	5.1
	(3.67)	(3.81)
Married	1.2	1.5
	(1.53)	(1.79)
Have one or more children	-0.2	-0.5
	(1.91)	(2.01)
Low skilled	2.5	0.8
	(1.69)	(1.96)
Lower class	-1.6	-1.6
	(3.04)	(4.00)
Upper class	-2.1	-3.4
	(2.21)	(2.07)
Work Status		
Unemployed	-7.2**	-8.2**
	(2.88)	(3.09)
Out of labor force	-10.2***	-11.9***
	(1.81)	(2.03)
Temporary contract	-1.1	-0.8
	(3.35)	(3.35)
Self employed	-11.5***	-11.3***
	(2.57)	(2.48)
Not worked previously	-1.4	0.0
	(4.14)	(.)
Ideology		
Little role of gov. regulating economy	4.9	4.7
	(2.96)	(3.23)
Major role of gov. regulating economy	-2.3**	-1.5
	(0.91)	(1.12)
Politically right	3.8	2.7
	(2.49)	(2.37)
Politically left	-3.5*	-3.9*
	(1.92)	(1.86)
Lack of trust	2.1*	2.4*
	(1.05)	(1.16)
Competition is good	1.7	1.8
	(2.47)	(2.30)
Competition is high	-0.3	-0.6
	(1.75)	(1.74)
Objective knowledge of EPL	8.0*	7.9
	(4.10)	(4.92)
Economic policy is important	-3.5	-3.4
	(2.41)	(3.18)
Self-declared knowledge of economics	-1.6	-2.5
	(1.52)	(1.74)
Country FE	Yes	Yes
Industry FE	No	Yes
Occupation FE	No	Yes
Observations	3175	2901
R-squared	0.05	0.05

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

Appendix III: Additional regression results and figures

**Table A3: Opposition to EPL reform – Individual characteristics, work status and ideology:
with Weights controlling for demographics but summing to one within each country**

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	6.3*** (1.19)	6.2*** (1.21)	5.1*** (1.49)	4.7*** (1.50)
Young	-12.4*** (1.58)	-11.9*** (1.66)	-12.6*** (1.80)	-12.7*** (1.76)
Senior	3.6* (1.90)	4.0** (1.84)	2.3 (1.61)	2.4 (1.57)
Foreign born	-3.0 (2.41)	-1.5 (2.70)	-0.7 (2.46)	-0.9 (2.49)
Married	-1.1 (1.68)	-0.8 (1.60)	-1.4 (1.69)	-1.1 (1.71)
Have one or more children	-4.2 (2.40)	-4.5* (2.33)	-5.2* (2.68)	-4.8 (2.74)
Low skilled	0.1 (1.54)	-0.3 (1.45)	0.2 (1.56)	-0.7 (1.53)
Lower class	-0.3 (2.50)	0.5 (2.65)	-0.0 (3.08)	-0.2 (3.06)
Upper class	-10.4*** (2.14)	-8.9*** (1.76)	-7.6*** (1.99)	-6.3*** (1.99)
<i>Work Status</i>				
Unemployed	-0.2 (1.96)	-1.2 (1.86)	-0.0 (1.77)	-0.8 (1.65)
Out of labor force	1.1 (2.07)	0.6 (1.80)	0.6 (2.30)	0.1 (2.25)
Temporary contract	-2.1 (2.83)	-3.4 (2.66)	-3.1 (2.63)	-3.8 (2.52)
Self employed	-4.8 (3.01)	-5.0 (2.88)	-3.8 (2.91)	-3.3 (2.97)
Not worked previously	-13.6*** (2.71)	-11.4*** (2.74)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	-4.0* (2.04)	-4.4** (2.02)	-5.6** (2.42)	-5.6** (2.34)
Major role of gov. regulating economy	14.9*** (2.07)	14.0*** (1.57)	13.3*** (1.68)	13.4*** (1.70)
Politically right	-7.6** (2.61)	-7.5*** (2.43)	-6.9** (2.48)	-6.7** (2.46)
Politically left	11.5*** (2.82)	11.3*** (2.49)	11.8*** (2.37)	11.7*** (2.33)
Lack of trust	8.4*** (0.94)	7.5*** (0.93)	7.3*** (0.95)	7.1*** (0.95)
Competition is good	3.5 (2.07)	3.2 (2.07)	3.0 (2.27)	3.2 (2.24)
Competition is high	2.4 (1.65)	2.1 (1.59)	2.9 (1.70)	3.1* (1.73)
Knowledgeable in EPL	-17.4*** (1.83)	-16.9*** (1.80)	-18.3*** (1.46)	-18.1*** (1.42)
Economic policy is important	15.2*** (1.85)	14.3*** (1.67)	13.0*** (1.52)	13.1*** (1.45)
Knowledgeable in economic policy	-3.2** (1.23)	-3.7*** (1.19)	-3.6** (1.44)	-3.2** (1.40)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216
R-squared	0.13	0.14	0.14	0.14
Adjusted R-squared	0.12	0.13	0.13	0.14

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

Table A4: Opposition to EPL reform – Individual characteristics, work status and ideology: with Weights controlling for demographics and country differences in population size

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	7.0*** (1.61)	7.1*** (1.56)	5.3*** (1.56)	4.2** (1.51)
Young	-7.3* (3.44)	-6.2 (3.83)	-7.1* (3.68)	-7.4* (3.57)
Senior	8.2*** (2.02)	8.7*** (1.92)	6.4*** (1.83)	6.3*** (1.68)
Foreign born	-2.2 (1.92)	0.4 (1.20)	-2.8 (3.08)	-3.6 (3.45)
Married	-1.2 (1.62)	-1.1 (1.67)	-0.5 (1.76)	-0.3 (1.81)
Have one or more children	-2.3 (2.14)	-3.4* (1.90)	-4.4* (2.31)	-4.1 (2.35)
Low skilled	-1.0 (1.07)	-1.5 (1.00)	-1.5 (1.16)	-2.1 (1.25)
Lower class	4.9 (5.57)	6.1 (5.56)	2.1 (3.23)	1.5 (3.06)
Upper class	-14.3*** (1.51)	-11.0*** (1.11)	-8.3*** (1.62)	-6.8*** (1.89)
<i>Work Status</i>				
Unemployed	-1.3 (2.53)	-2.3 (2.01)	-1.2 (1.94)	-3.0 (1.95)
Out of labor force	5.5 (4.46)	3.9 (4.24)	5.0 (4.84)	4.1 (4.16)
Temporary contract	3.2 (3.97)	-0.1 (3.24)	0.4 (3.23)	-0.5 (2.98)
Self employed	1.9 (3.65)	1.9 (3.73)	3.6 (3.70)	3.4 (3.44)
Not worked previously	-12.6*** (2.17)	-8.5*** (1.97)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	-3.0 (2.34)	-3.4 (2.59)	-4.6* (2.51)	-5.1** (2.06)
Major role of gov. regulating economy	20.6*** (3.67)	16.6*** (2.16)	16.3*** (2.05)	16.6*** (2.03)
Politically right	-6.0 (4.62)	-4.2 (4.48)	-1.4 (5.58)	-1.2 (5.57)
Politically left	5.5 (3.95)	6.0* (3.14)	7.6** (2.73)	7.5** (2.76)
Lack of trust	7.7*** (0.74)	6.5*** (0.85)	7.5*** (1.21)	7.3*** (1.18)
Competition is good	6.8*** (2.13)	6.5*** (1.87)	5.9** (2.08)	6.1** (2.05)
Competition is high	1.2 (1.90)	1.4 (1.52)	2.6* (1.39)	2.8* (1.42)
Knowledgeable in EPL	-14.1*** (1.09)	-14.1*** (1.04)	-16.6*** (1.17)	-16.4*** (1.23)
Economic policy is important	18.9*** (1.73)	16.4*** (1.48)	13.4*** (1.52)	13.4*** (1.41)
Knowledgeable in economic policy	-5.3*** (1.70)	-4.4*** (1.19)	-5.2*** (1.43)	-4.5*** (1.28)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216
R-squared	0.15	0.17	0.19	0.19
Adjusted R-squared	0.14	0.17	0.18	0.19

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

**Table A5: Opposition to EPL reform – Individual characteristics, work status and ideology:
Logit with the same baseline regression**

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	5.6*** (1.05)	5.6*** (1.15)	4.2*** (1.28)	3.8*** (1.32)
Young	-11.9*** (1.54)	-11.4*** (1.48)	-11.5*** (1.71)	-11.6*** (1.68)
Senior	3.1* (1.80)	4.1** (1.80)	2.2 (1.65)	2.4 (1.63)
Foreign born	-2.6 (2.46)	-1.0 (2.67)	-0.4 (2.41)	-0.7 (2.38)
Married	-1.2 (1.43)	-1.0 (1.35)	-1.1 (1.40)	-0.8 (1.40)
Have one or more children	-4.8** (2.08)	-5.1** (1.98)	-5.7** (2.24)	-5.3** (2.29)
Low skilled	0.1 (1.62)	-0.3 (1.25)	0.4 (1.23)	-0.1 (1.19)
Lower class	-1.5 (2.29)	-0.5 (2.34)	-1.8 (2.31)	-1.9 (2.26)
Upper class	-11.6*** (1.92)	-9.8*** (1.59)	-9.2*** (1.88)	-8.0*** (1.89)
<i>Work Status</i>				
Unemployed	-0.3 (1.85)	-1.3 (1.76)	0.2 (1.81)	-0.5 (1.73)
Out of labor force	0.6 (2.16)	0.3 (1.92)	1.0 (2.50)	0.7 (2.51)
Temporary contract	-2.6 (2.12)	-3.6* (2.01)	-3.5 (2.11)	-4.1** (2.07)
Self employed	-3.8 (2.52)	-3.9* (2.39)	-2.5 (2.45)	-2.2 (2.46)
Not worked previously	-12.9*** (2.92)	-11.0*** (2.64)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	-5.2*** (1.75)	-5.5*** (1.91)	-6.6*** (2.07)	-6.6*** (2.03)
Major role of gov. regulating economy	14.3*** (1.73)	13.4*** (1.43)	13.0*** (1.46)	13.1*** (1.48)
Politically right	-7.8*** (2.32)	-7.3*** (2.08)	-6.6*** (2.26)	-6.3*** (2.26)
Politically left	12.1*** (2.29)	12.1*** (1.80)	12.5*** (1.80)	12.3*** (1.77)
Lack of trust	8.6*** (0.85)	7.2*** (0.94)	7.1*** (1.00)	7.0*** (1.01)
Competition is good	3.7** (1.56)	3.4** (1.49)	3.4* (1.75)	3.4** (1.75)
Competition is high	1.5 (1.70)	1.1 (1.58)	2.1 (1.70)	2.3 (1.76)
Knowledgeable in EPL	-18.4*** (1.76)	-18.3*** (1.76)	-19.5*** (1.65)	-19.2*** (1.64)
Economic policy is important	16.4*** (1.93)	15.4*** (1.79)	14.1*** (1.79)	14.1*** (1.71)
Knowledgeable in economic policy	-3.7*** (0.87)	-4.6*** (0.98)	-4.4*** (1.20)	-4.1*** (1.20)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

**Table A6: Opposition to EPL reform – Individual characteristics, work status and ideology:
Probit with the same baseline regression**

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	5.6*** (1.06)	5.6*** (1.16)	4.2*** (1.29)	3.8*** (1.32)
Young	-12.0*** (1.57)	-11.5*** (1.55)	-11.5*** (1.79)	-11.7*** (1.76)
Senior	3.2* (1.82)	4.2** (1.81)	2.3 (1.65)	2.5 (1.63)
Foreign born	-2.5 (2.47)	-1.0 (2.69)	-0.4 (2.40)	-0.7 (2.39)
Married	-1.3 (1.45)	-1.2 (1.37)	-1.3 (1.41)	-1.0 (1.40)
Have one or more children	-4.7** (2.10)	-5.0** (2.00)	-5.6** (2.25)	-5.2** (2.30)
Low skilled	0.1 (1.62)	-0.4 (1.25)	0.4 (1.23)	-0.2 (1.19)
Lower class	-1.6 (2.28)	-0.4 (2.37)	-1.8 (2.27)	-1.9 (2.22)
Upper class	-11.4*** (1.88)	-9.6*** (1.57)	-9.0*** (1.83)	-7.8*** (1.83)
<i>Work Status</i>				
Unemployed	-0.3 (1.82)	-1.3 (1.71)	0.2 (1.73)	-0.5 (1.64)
Out of labor force	0.6 (2.13)	0.2 (1.89)	0.9 (2.44)	0.6 (2.44)
Temporary contract	-2.5 (2.15)	-3.6* (2.05)	-3.4 (2.14)	-4.1* (2.10)
Self employed	-3.6 (2.53)	-3.8 (2.40)	-2.5 (2.46)	-2.0 (2.47)
Not worked previously	-12.9*** (2.83)	-11.0*** (2.58)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	-5.1*** (1.74)	-5.5*** (1.90)	-6.6*** (2.07)	-6.6*** (2.03)
Major role of gov. regulating economy	14.4*** (1.77)	13.5*** (1.46)	13.1*** (1.49)	13.2*** (1.50)
Politically right	-7.6*** (2.31)	-7.0*** (2.08)	-6.3*** (2.27)	-6.0*** (2.27)
Politically left	12.2*** (2.30)	12.1*** (1.81)	12.5*** (1.80)	12.4*** (1.75)
Lack of trust	8.6*** (0.84)	7.2*** (0.91)	7.1*** (0.97)	7.0*** (0.97)
Competition is good	3.6** (1.55)	3.4** (1.50)	3.3* (1.76)	3.4* (1.76)
Competition is high	1.4 (1.69)	1.0 (1.59)	2.0 (1.70)	2.2 (1.75)
Knowledgeable in EPL	-17.9*** (1.73)	-17.9*** (1.74)	-19.0*** (1.73)	-18.9*** (1.72)
Economic policy is important	16.1*** (1.89)	15.2*** (1.75)	13.8*** (1.78)	13.8*** (1.70)
Knowledgeable in economic policy	-3.7*** (0.88)	-4.5*** (1.00)	-4.4*** (1.22)	-4.1*** (1.22)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216

Notes: Dependent variable equals 1 if respondent is somewhat or strongly opposed to EPL reforms, 0 if indifferent or supports. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

**Table A7: Opposition to EPL reform – Individual characteristics, work status and ideology:
Flip the version with support instead of oppose with no weights**

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	-3.3*** (1.07)	-3.3** (1.11)	-2.7** (1.18)	-2.3* (1.14)
Young	6.2*** (1.53)	6.2*** (1.56)	6.3*** (1.56)	6.4*** (1.54)
Senior	0.8 (1.91)	0.5 (1.93)	1.4 (1.91)	1.2 (1.93)
Foreign born	-2.0 (1.97)	-1.5 (1.94)	-1.4 (2.35)	-1.2 (2.35)
Married	1.2 (1.01)	1.2 (0.99)	1.2 (1.07)	1.0 (1.10)
Have one or more children	6.1*** (1.41)	6.1*** (1.42)	5.9*** (1.46)	5.6*** (1.47)
Low skilled	-2.5** (0.89)	-2.6** (0.98)	-2.9** (0.99)	-2.4** (0.93)
Lower class	3.8* (2.05)	3.7* (2.08)	4.9 (2.84)	5.0 (2.88)
Upper class	9.2*** (1.88)	8.4*** (1.72)	8.5*** (1.99)	7.5*** (2.02)
<i>Work Status</i>				
Unemployed	0.3 (1.89)	0.3 (1.82)	-0.8 (1.66)	-0.3 (1.68)
Out of labor force	-0.1 (1.07)	-0.2 (0.98)	-0.5 (1.45)	-0.3 (1.45)
Temporary contract	0.5 (1.68)	0.4 (1.73)	0.2 (1.78)	0.8 (1.79)
Self employed	4.8* (2.28)	4.7* (2.24)	4.1* (2.28)	3.8 (2.16)
Not worked previously	-2.3 (2.10)	-2.6 (2.09)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	4.8** (1.64)	4.7** (1.71)	4.8** (1.82)	4.7** (1.80)
Major role of gov. regulating economy	-6.6*** (0.87)	-6.2*** (0.95)	-6.5*** (1.00)	-6.6*** (1.02)
Politically right	8.1*** (2.22)	8.2*** (2.10)	7.3*** (2.06)	7.2*** (2.02)
Politically left	-4.3** (1.84)	-4.3** (1.80)	-5.4*** (1.73)	-5.3*** (1.73)
Lack of trust	-8.1*** (1.18)	-7.6*** (1.41)	-7.6*** (1.50)	-7.5*** (1.49)
Competition is good	8.7*** (1.26)	8.8*** (1.19)	8.4*** (1.51)	8.3*** (1.54)
Competition is high	7.7*** (1.27)	7.9*** (1.24)	7.3*** (1.20)	7.0*** (1.21)
Knowledgeable in EPL	24.7*** (2.47)	24.8*** (2.53)	25.7*** (2.60)	25.5*** (2.59)
Economic policy is important	-2.6* (1.42)	-2.1 (1.50)	-0.6 (1.61)	-0.7 (1.57)
Knowledgeable in economic policy	7.0*** (1.30)	7.5*** (1.35)	7.4*** (1.60)	7.1*** (1.62)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216
R-squared	0.12	0.12	0.13	0.13
Adjusted R-squared	0.12	0.12	0.12	0.12

Notes: Dependent variable equals 1 if respondent is somewhat or strongly supportive of EPL reforms, 0 if indifferent or opposing. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

**Table A8: Opposition to EPL reform – Individual characteristics, work status and ideology:
Linear Probability with raw scores of opposing -2 to 2**

	(1)	(2)	(3)	(4)
<i>Individual Characteristics</i>				
Female	-13.3*** (2.45)	-13.2*** (2.72)	-9.9*** (3.26)	-8.7** (3.34)
Young	25.5*** (3.32)	24.9*** (3.32)	24.3*** (3.69)	24.7*** (3.57)
Senior	-6.0 (4.86)	-8.0 (4.81)	-3.0 (4.72)	-3.5 (4.69)
Foreign born	-0.3 (4.98)	-2.0 (5.33)	-2.8 (5.58)	-2.0 (5.57)
Married	1.8 (3.56)	1.3 (3.49)	1.3 (3.79)	0.5 (3.79)
Have one or more children	14.0*** (4.09)	14.8*** (4.08)	16.4*** (4.61)	15.3*** (4.70)
Low skilled	-4.0 (3.13)	-2.6 (2.83)	-4.1 (2.76)	-2.4 (2.66)
Lower class	7.7 (4.70)	4.9 (5.04)	8.8 (6.07)	9.2 (6.11)
Upper class	34.0*** (5.17)	30.0*** (4.24)	28.4*** (4.36)	24.8*** (4.41)
<i>Work Status</i>				
Unemployed	0.4 (5.07)	2.8 (4.60)	-0.6 (4.60)	1.3 (4.76)
Out of labor force	-0.6 (4.01)	0.0 (3.53)	-4.1 (4.87)	-3.2 (4.84)
Temporary contract	3.8 (4.20)	5.9 (4.14)	5.6 (4.24)	7.3 (4.28)
Self employed	17.2** (6.04)	17.8*** (5.82)	14.9** (5.76)	13.9** (5.54)
Not worked previously	19.7*** (6.13)	15.8** (6.63)	0.0 (.)	0.0 (.)
<i>Ideology</i>				
Little role of gov. regulating economy	12.6*** (4.12)	12.7** (4.63)	13.3** (4.84)	13.3** (4.72)
Major role of gov. regulating economy	-33.7*** (3.47)	-31.7*** (3.45)	-31.3*** (3.49)	-31.6*** (3.51)
Politically right	22.2*** (5.34)	21.8*** (4.89)	19.7*** (5.07)	19.2*** (4.97)
Politically left	-28.0*** (5.32)	-27.5*** (4.52)	-31.2*** (4.37)	-30.8*** (4.29)
Lack of trust	-27.1*** (2.70)	-24.4*** (3.25)	-24.4*** (3.62)	-24.0*** (3.60)
Competition is good	6.7* (3.74)	7.7** (3.54)	7.2 (4.14)	7.0 (4.18)
Competition is high	7.0 (4.38)	7.5* (4.03)	5.5 (4.07)	4.8 (4.16)
Knowledgeable in EPL	66.7*** (4.77)	66.5*** (4.88)	70.2*** (5.15)	69.6*** (4.99)
Economic policy is important	-24.1*** (4.16)	-22.1*** (4.15)	-17.5*** (4.08)	-17.6*** (3.91)
Knowledgeable in economic policy	12.0*** (2.40)	14.3*** (2.55)	14.0*** (3.29)	13.1*** (3.38)
Country FE	No	Yes	Yes	Yes
Industry FE	No	No	Yes	Yes
Occupation FE	No	No	No	Yes
Observations	7000	7000	6216	6216
R-squared	0.15	0.16	0.17	0.18
Adjusted R-squared	0.15	0.16	0.17	0.17

Notes: Dependent variable equals -2 if respondent strongly opposes to EPL reform, -1 if somewhat opposes, 0 if indifferent, 1 if somewhat supports, and 2 if strongly supports EPL reform. Number of observations in column (3) and (4) drop due to occupation/industry fixed effects because those who did not work previously do not have occupation/industry information. Standard errors are clustered at country level. Significance levels are: * 0.1, ** 0.05, *** 0.01.

Appendix IV: Survey Questionnaire

A: SOCIO-ECONOMIC BACKGROUND QUESTIONS

Q1. What is your gender?

ASK ALL

1	Male
2	Female
3	Other/nonbinary

Q2. What is your age?

ASK ALL

1	Less than 18 years	TERMINATE AND CLOSE
2	18-21 years	
3	22-29 years	
4	30-39 years	
5	40-49 years	
6	50-59 years	
7	60-65 years	
8	More than 65 years	TERMINATE AND CLOSE

Q3. What was your TOTAL household income, before taxes, last year. Please add the income from all sources by all earning members in your household (living with you)? (NB: below are brackets used for the US; in each country, country-specific brackets were used)

ASK ALL

1	Below \$20,000	
2	\$20,001-\$40,000	
3	\$40,001-\$50,000	
4	\$50,000-\$75,000	
5	\$75,001-\$100,000	
6	\$100,000-\$150,000	
7	More than \$150,000	

Q4. Were you born in “INSERT SURVEY COUNTRY”?

ASK ALL

1	Yes	
2	No	

Q5. Please indicate your marital status

ASK ALL

1	Single
2	Married
3	Legally separated or divorced
4	Widowed

Q6. How many children (aged 18 years or younger) live with you in your household?

ASK ALL

1	One
2	Two
3	Three
4	Four
5	Five or more
6	I do not have any children living with me

Q7. What is your highest level of education?

ASK ALL; SINGLE ANSWER

1	High school not completed
2	High school completed
3	College degree
4	Graduate school degree
5	Prefer not to answer

Q8. If you had to use one of these five commonly-used names to describe your social class, which one would it be?

ASK ALL; SINGLE ANSWER

1	Lower Class or Poor
2	Working Class
3	Middle Class
4	Upper-middle Class
5	Upper Class

Q9. What is currently your primary employment status?

ASK ALL; SINGLE ANSWER

1	Student		
2	Full-time, permanent/contract employee		
3	Full-time, temporary/contract employee		
4	Part-time, permanent/contract employee	SKIP TO Q12a	
5	Part-time, temporary/contract employee		
6	Self-employed or small business owner		
7	Unemployed and looking for work		ASK Q10

8	Not currently working and not looking for work	
9	Retiree	

Q10. And if you worked previously, how would you describe your previous employment status?

ASK IF CODED 7/8/9 AT Q9; SINGLE ANSWER

1	Full-time, permanent/contract employee
2	Full-time, temporary/contract employee
3	Part-time, permanent/contract employee
4	Part-time, temporary/contract employee
5	Self-employed or small business owner
6	Did not work previously

Q11a. Which category best describes your main occupation?

Check the one that applies. If you have multiple jobs, check the one that describes your main occupation.

ASK IF CODED 2/3/4/5/6 AT Q9; SINGLE ANSWER

1	Managers
2	Professionals
3	Technicians and associate professionals
4	Clerical support workers
5	Service and sales workers
6	Agricultural workers
7	Craft and related trades workers
8	Plant and machine operators, and assemblers
9	Elementary occupations
10	Armed forces occupations

Q11b. If you are not currently working, which category best describes your latest occupation (of your previous job)?

Check the one that applies. If you had multiple jobs, check the one that describes your main occupation.

ASK IF CODED Q10 \neq 6; SINGLE ANSWER

1	Managers
2	Professionals
3	Technicians and associate professionals
4	Clerical support workers
5	Service and sales workers
6	Agricultural workers
7	Craft and related trades workers

8	Plant and machine operators, and assemblers
9	Elementary occupations
10	Armed forces occupations

Q12a. Which sector of the economy best describes your main job?

Check the one that applies. If you have multiple jobs, check the sector that describes your main sector.

ASK IF CODED 2/3/4/5/6 AT Q9; SINGLE ANSWER

1	Agriculture, Forestry and Fishing
2	Mining and Quarrying
3	Manufacturing
4	Electricity, Gas, Water Supply
5	Construction
6	Wholesale Trade
7	Retail Trade (including, among others, stores and retailers)
8	Transportation and Storage (including, among others, air, rail and road transport, and postal and courier activities)
9	Accommodation and Food Activities (including, among others, hotels and restaurants)
10	Information and Communication (including, among others, IT, telecommunications, publishing and broadcasting activities)
11	Finance and Insurance
12	Real Estate
13	Professional, Scientific, Technical, Administrative and Support Service Activities (including, among others, lawyers, accountants, architects, notaries...etc)
14	Community, Social and Personal Services (including, among others, public administration, education health, social services)
15	Arts and Entertainment

Q12b. If you are not currently working, which sector of the economy best describes your latest job you had?

Check the one that applies. If you had multiple jobs, check the sector that describes your main sector.

ASK IF CODED Q10 \neq 6; SINGLE ANSWER

1	Agriculture, Forestry and Fishing
2	Mining and Quarrying
3	Manufacturing
4	Electricity, Gas, Water Supply
5	Construction
6	Wholesale Trade
7	Retail Trade (including, among others, stores and retailers)
8	Transportation and Storage (including, among others, air, rail and road transport, and postal and courier activities)

9	Accommodation and Food Activities (including, among others, hotels and restaurants)
10	Information and Communication (including, among others, IT, telecommunications, publishing and broadcasting activities)
11	Finance and Insurance
12	Real Estate
13	Professional, Scientific, Technical, Administrative and Support Service Activities (including, among others, lawyers, accountants, architects, notaries...etc)
14	Community, Social and Personal Services (including, among others, public administration, education health, social services)
15	Arts and Entertainment

B: OTHER BACKGROUND QUESTIONS

Q13a. According to you, how much role should the government have in regulating the economy?
ASK ALL; SINGLE ANSWER

1	Little/some role
2	Moderate role
3	Huge/major role

Q13b. Politically, do you position yourself as left of center, center, or right of center?
ASK ALL; SINGLE ANSWER

1	Left
2	Center-Left
3	Center-Right
4	Right

Q14. In general, how important do you think it is to stay informed about economic policy?

Economic policy refers to the actions that governments take in the economic field. It covers the systems for setting interest rates and government budget as well as the labor market, national ownership, and many other areas of government interventions into the economy.

ASK ALL; SINGLE ANSWER

1	Not important at all	ASK Q16
2	Not very important	
3	Somewhat important	SKIP TO Q15
4	Very important	

Q15. What would you say are the main reasons why you wish to be well informed about economic policy? Please select all that apply

ASK IF CODED 3/4 AT Q14; MULTIPLE RESPONSE; RANDOMIZE OPTIONS

1	Affects personal finance	
2	Affects business or profession	
3	Economic issues are important politically and might affect my vote	
4	To be a responsible citizen, I like to keep informed	
5	Other reasons	

Q16. How knowledgeable do you consider yourself on economic policies and issues?

ASK ALL; SINGLE RESPONSE

1	Not knowledgeable at all
2	Not very knowledgeable
3	Somewhat knowledgeable
4	Highly knowledgeable

Q17. In general, do you think that higher competition among firms is a good thing or a bad thing?

ASK ALL; SINGLE RESPONSE

1	Good thing
2	Bad thing
3	Neither good nor bad

Q18. In the industry sector of your main job (**INSERT OPTION Q11a**) /previous job (**INSERT OPTION Q11b**) do you think competition among firms is currently high or low compared with other industries?

ASK Q8= 2/3/4/5/6/7/8/9 AND Q9=/= Did not work previously; SINGLE RESPONSE

1	Higher
2	About the same
3	Lower

Q19. Would you say that most people can be trusted or not?

ASK ALL; SINGLE RESPONSE

1	People <u>can</u> be trusted
2	Most people <u>can</u> be trusted
3	Most people <u>cannot</u> be trusted
4	People <u>cannot</u> be trusted

Q20. Would you say that key institutions in your country (courts, army, police) can be trusted or not?

ASK ALL; SINGLE RESPONSE

1	Institutions <u>can</u> be trusted
2	Most Institutions <u>can</u> be trusted
3	Most Institutions <u>cannot</u> be trusted
4	Institutions <u>cannot</u> be trusted

Q21. Would you say that governments in your country can be trusted or not?

ASK ALL; SINGLE RESPONSE

1	Governments in my country <u>can</u> be trusted
2	Most governments in my country <u>can</u> be trusted
3	Most governments in my country <u>cannot</u> be trusted
4	Governments in my country <u>cannot</u> be trusted

C: OPINIONS ABOUT EMPLOYMENT PROTECTION LAWS

Introduction: Labor laws govern layoff procedures for workers. Different procedures may apply for different groups of workers, for example those with permanent contracts and those with temporary contracts. We would now like to ask you a few questions regarding labor laws in your country.

Q22. In your opinion, how is each of the below aspects impacted if it becomes easy for employers to lay off permanent workers. When it becomes **easy for employers to layoff permanent workers**, does this reduce, increase or has no effect on the following aspects:

ASK ALL; SHOW GRID – SLIDING ARROW; SINGLE RESPONSE PER ROW

	ROWS; RANDOMIZE OPTIONS
1	Layoffs
2	Hires
3	How often workers change jobs
4	Time it takes for an unemployed person to find a job
5	Chances that a worker with a temporary contract finds a permanent contract job
6	Chances that an unemployed person find a permanent contract job
7	Economy's GDP ("increases" means economy is richer)

	COLUMNS
1	Reduces
2	No effect
3	Increases
4	Don't Know

Q23. Overall, do you support making it easy for employers to lay off permanent workers for economic reasons (this does NOT include discriminatory layoffs for personal reasons—such as race, gender or religion—which are prohibited)

ASK ALL; SLIDING SCALE; SINGLE RESPONSE

INSERT SLIDING SCALE – 1 TO 5	
1	Strongly oppose
2	Somewhat oppose
3	Indifferent
4	Somewhat support
5	Strongly support

Q24. Which of the following are the reasons for **your support** to making it easy for employers to lay off permanent workers? Please select all that apply

ASK IF Q23 = 4/5; MULTIPLE RESPONSE; RANDOMIZE OPTIONS

1	Makes the economy richer and/or creates jobs
2	Reduces inequality in society
3	Benefits me personally
88	Other reasons

Q25. Which of the following are the reasons for **your opposition** to making it easy for employers to lay off permanent workers? Please select all that apply.

ASK IF Q23 = 1/2; MULTIPLE RESPONSE; RANDOMIZE OPTIONS

1	Makes the economy poorer and/or does not create jobs	
2	Increases inequality in society	
3	Hurts me personally	
4	Might benefit me personally but, on balance, there is a higher chance it will hurt me	
5	Is more likely to benefit me personally rather than hurt me, but even so I would rather not take the chance	
6	Damages the community I live in	
88	Other reasons	

Q26. You selected the below reasons as to why you oppose making it easy for employers to lay off permanent workers.

IF ONLINE/DESKTOP, SHOW:

Please drag and drop to **rank the reasons** mentioned in order of importance, where “1” is the most important reason. Each ranking response may only be selected once.

RANDOMIZE OPTIONS, DRAG AND DROP

IF MOBILE, SHOW: Please **rank all these** reasons in the order of importance, where “1” is the most important reason. Each ranking response may only be selected once.

RANDOMIZE OPTIONS, DROPDOWN

ASK IF MORE THAN 1 OPTION IS SELECTED AT Q25; RANK ORDER; SHOW ALL OPTIONS (1-6) SELECTED AT Q25; AUTOCODE AS RANK 1 IF ONLY 1 OPTION IS SELECTED AT Q25

Q27. You mentioned that making it easy for employers to lay off permanent workers **increases inequality in the society**. If the government committed to compensatory measures, for those who lose their jobs or have to accept wage cuts, to ensure that losers become winners, and everyone gains, **would you then support** making it easy for firms to layoff permanent workers?.

Possible compensatory measures can include higher social benefits (for example).

ASK IF Q25 = 2; SINGLE RESPONSE

1	Yes
2	No

Q28. You mentioned that you would **not support** making it easy for firms to layoff permanent workers, even if the government committed to compensatory measures.

Is it because you do not trust any government commitment to such compensatory measures, or these measures would not be enough for you to support easy layoff procedures for permanent workers?

ASK IF Q27 = 2; SINGLE RESPONSE

1	Do not trust government	
2	Measures are not enough	
88	Others- Please specify	

Q29. You mentioned that making it easy for employers to lay off permanent workers **hurts you personally**. If the government committed to compensatory measures **for you** (for example, higher social benefits) to ensure that you also gain, **would you then support** making it easy for firms to layoff permanent workers?

ASK IF Q25 = 3; SINGLE RESPONSE

1	Yes
2	No

Q30. You mentioned that you **would not support** making it easy for firms to layoff permanent workers, even if the government committed to compensatory measures **for you**.

Is it because you do not trust any government commitment to such compensatory measures, or these measures would not be enough for you to support easy layoff procedures for permanent workers?

ASK IF Q29 = 2; SINGLE RESPONSE

1	Do not trust government	
2	Measures are not enough	
88	Others- Please specify	

Q31. You mentioned that making it easy for employers to lay off permanent workers **might benefit you personally but on balance, there is a higher chance it will hurt you**. If you knew for sure that you would benefit, **would you then support** making it easy for firms to layoff permanent workers?

ASK IF Q25 = 4; SINGLE RESPONSE

1	Yes
2	No

Q32. You mentioned that making it easy for employers to lay off permanent workers **is more likely to benefit you personally rather than hurt you, but even so you would rather not take the chance**. If you knew for sure that you would benefit, **would you then support** making it easy for firms to layoff permanent workers?

ASK IF Q25 = 5 AND Q25≠4; SINGLE RESPONSE

1	Yes
2	No.

Q33. You mentioned that there are '**other reasons**' for why you oppose making it easier for employers to lay off permanent workers. What are these other reasons? Please select all that apply

ASK IF Q25 = 88; MULTIPLE RESPONSE; RANDOMIZE OPTIONS

1	Employers have no right to lay off	
---	------------------------------------	--

	workers freely, even for economic reasons	
2	Free-market (“neo-liberal”) policies are bad	
3	The quest for economic growth is bad	
4	This would be disruptive for the community	
88	Other – Please Specify	

D: RANDOMIZED INFORMATION TREATMENT

GIVE ONE OUT OF TWO (RANDOMLY CHOSEN) PARTICIPANTS THE FOLLOWING INFORMATION: Economists have found that making it easy for employers to lay off permanent workers when they feel the economic need to do so is beneficial for the overall economy (productivity goes up, GDP and average income go up; many workers on temporary contracts and the unemployed can get permanent jobs; and unemployed people can find new jobs more quickly).

Q34. **Do you support** making it easy for employers to lay off permanent workers for economic reasons (not for discriminatory layoffs for personal reasons, e.g. due to race, gender or religion)?

ASK ALL; SLIDING SCALE; SINGLE RESPONSE

	INSERT SLIDING SCALE – 1 TO 5	
1	Strongly oppose	
2	Somewhat oppose	
3	Indifferent	
4	Somewhat support	
5	Strongly support	

Q35. You **still oppose** making it easy for employers to lay off permanent workers because.....

Please select all that apply.

**ASK IF TREATED AND Q37 = 1/2 AND Q23 = 1/2; MUTIPLE RESPONSE;
RANDOMIZE OPTIONS**

1	I don't trust the experts' conclusions.	
2	It still hurts me personally.	
3	It might benefit me personally but, on balance, there is a higher chance it will hurt me.	

4	It is more likely to benefit me personally rather than hurt me, but even so I would rather not take the chance.	
88	Other reasons	

Q36. You selected the below reasons as to why you **still oppose** making it easy for employers to lay off permanent workers.

IF ONLINE/DESKTOP, SHOW:

Please drag and drop to **rank the reasons** mentioned in order of importance, where “1” is the most important reason. Each ranking response may only be selected once.

RANDOMIZE OPTIONS, DRAG AND DROP

IF MOBILE, SHOW: Please **rank all these** reasons in the order of importance, where “1” is the most important reason. Each ranking response may only be selected once.

RANDOMIZE OPTIONS, DROPDOWN

ASK IF MORE THAN 1 OPTION IS SELECTED AT Q35; RANK ORDER; SHOW ALL OPTIONS SELECTED AT Q35; AUTOCODE AS RANK 1 IF ONLY 1 OPTION IS SELECTED AT Q35



PUBLICATIONS

Preferences for Reforms: Endowments vs. Beliefs
Working Paper No. WP/22/33