

Who demands labor (de)regulation in the developing world? Revisiting the Insider–Outsider Theory

Lucas Ronconi*, Ravi Kanbur** and Santiago López-Cariboni***

*Universidad de Buenos Aires, PEP & IZA, email: ronconilucas@gmail.com (corresponding author); **Cornell University, Ithaca, NY, email: sk145@cornell.edu; ***Universidad de la República, Montevideo, email: santiago.lopez@cienciassociales.com.uy. This study has been prepared within the UNU-WIDER project Transforming informal work and livelihoods. We thank Matthew Carnes and Rodrigo Zarazaga for useful comments and suggestions to an earlier draft. We also received helpful comments from colleagues at UNU-WIDER, Collegio Carlo Alberto, and the University of Turin. We thank the Latin American Public Opinion Project, Latinobarometro and the International Social Survey Programme for making the data available.

Abstract: The “insider-outsider” perspective has come to dominate the discourse on labor regulations. It argues that protective regulations hurt the less well-off outsiders but are kept in place because of the interests of the insiders, those who are covered by the regulations. But if the insider-outsider divide were as depicted in the standard representation, outsiders would be strongly against regulations. However, we present evidence that in fact a large majority of outsiders in developing countries *support* protective labor regulations, calling for a rethink of a sharp insider-outsider divide. We suggest a number of avenues for exploration, including income sharing, transitions, fairness, and employer power in labor markets.

Keywords: labor markets; labor law; neoclassical economics; developing countries; equity and efficiency

JEL classification: J4, J8, O17

This article has been accepted for publication and undergone full peer review but has not been through the copyediting, typesetting, pagination and proofreading process, which may lead to differences between this version and the [Version of Record](#). Please cite this article as [doi: 10.1111/ilr.12363](https://doi.org/10.1111/ilr.12363).

1 Introduction

Almost 70% of workers in the developing world have informal employment (ILO 2018). Their jobs are usually unsecure, unstable and low paying. They lack rights at work and decent working conditions. Some are employees hired under-the-table by their employers and others work as subsistence self-employees because that is the only job they found. These two groups of workers together with the unemployed constitute the outsiders.

There exists a large literature in political economy asking about the causes of this phenomenon. One very prominent argument states that the relative political strength of insiders (i.e., formal workers), which translates into employment protection legislation (EPL), is the main culprit of the suffering of the outsiders. According to insider–outsider theory (see, for instance, Lindbeck and Snower 2002), labor regulations reduce overall welfare, but are nonetheless in place either because the median voter is an insider (a legally covered worker who benefits from protective EPL), or because insiders have over-representation in the policy process due to their capacity to collectively organize. That is, outsiders would like to eliminate EPL because they are negatively affected by it; but they do not have sufficient political power to translate their preferences to the labor code. Persson and Tabellini (2002: 147) express this argument clearly:

Employed and unemployed voters disagree over firing flexibility: the currently employed insiders want to protect their jobs, and thus dislike flexibility, whereas the unemployed outsiders welcome flexibility, as it raises the hiring rate. The unemployed constitute a minority, however, and equilibrium policy is thus chosen so as to please the employed voters.

At the core of this approach is the idea that employers lack economic and political power, and that disaggregating labor into insiders and outsiders is a fundamental distinction to explain labor law (Rueda 2005). This paper calls for a reexamination of the dominant approach to explain the

political economy of EPL.¹ By exploiting available surveys as well as collecting new original data, we present a descriptive, stylized fact that has been overlooked in the literature. In developing countries, contrary to the insider–outsider model, outsiders tend to *support* rather than being against protective employment regulations. We show that all types of outsiders (i.e., unemployed workers, non-registered employees, and low-skilled self-employees) overwhelmingly support alternative components of EPL such as severance payments, minimum wages, and working time regulations. At the very least, the evidence we present suggests that the persistence of stringent EPL in developing countries is consistent with explanations based on a broad social support for employment protection—from both insiders and outsiders—instead of the common wisdom emphasizing powerful and narrow interests of insiders.

We empirically focus on developing countries, and particularly in Latin America, because their labor codes are usually more rigid than in the developed world (Heckman and Pagés 2004). Accordingly to the 2010 Doing Business Report (the last report that included a ranking of countries based on the rigidity of employing workers), OECD countries rank below the average level of rigidity (81 out of 183), while Latin American countries rank clearly above at position 125. The country with the least rigid labor code is the United States (ranked 1) while the most rigid is Venezuela (ranked 183). See Doing Business (2009). Hence, from an insider-outsider theory standpoint, Latin American countries represent a most likely scenario for observing large insider-outsider differences in support for EPL.

Our stylized finding opens a new important puzzle in the political economy of EPL in developing countries: Why would outsiders support EPL if, from the point of view of the insider–outsider model, EPL harms their welfare by making it harder to find a formal job?

¹ Note that we do not address the issue of whether the development of Insider-Outsider theory itself contributed to waves of labour market deregulation. This intriguing question is beyond the remit of the current paper.

Existing accounts emphasizing marginal insider-outsider differences often assume the neoclassical insider–outsider theory to explain outcomes other than EPL (Wibbels and Ahlquist 2011; Carnes and Mares 2014). Conversely, we pay particular attention to the main prediction of that model, that outsiders should unambiguously oppose EPL, and find the opposite. Our theoretical contribution is a systematic analysis of the several potential reasons for observing outsider support for EPL, and explaining how these reasons have different implications for the validity of the insider–outsider model. We conclude that disaggregating labor into insiders and outsiders to explain the characteristics of labor law (and other related social policies) does require considering the theoretical conditions under which insider–outsider preferences diverge and converge.

The paper is organized as follows: The next section revisits the economic and political assumptions of the insider–outsider model and reviews the empirical literature. The third section provides novel evidence suggesting that outsiders are in favor of protective labor legislation. In the fourth section, we relax the insider–outsider model assumptions one by one in order to evaluate the extent to which the prediction that outsiders oppose EPL still holds. Finally, we discuss potential avenues for future research.

2 The insider–outsider literature

2.1 Economic assumptions: the neoclassical labor market

The canonical formulation of the insider–outsider framework is a neoclassical competitive labor market where wage adjustment clears the labor market and there is no unemployment. Each individual firm is a wage-taker, and, in equilibrium, the wage equals the marginal productivity of labor. If regulations that increase the cost of labor more than workers’ productivity are introduced (such as minimum wages, mandated holidays, severance pay, and so on), labor

demand will fall below its market clearing level and unemployment will result. Those individuals who are unemployed, who may engage in informal unregulated activities with low income, are labelled ‘outsiders’. Those lucky enough to keep a job, now with higher pay and benefits, are the ‘insiders’.²

Workers are assumed to be rational, well-informed, materialistic, and self-regarding (i.e., *homo economicus*). In this framework, regulations clearly benefit the insiders at the expense of the outsiders and every worker knows it. Removing regulations, or curtailing them, would improve the economic situation of outsiders since more of them would then be employed on the inside. The outsiders should therefore be *against* regulation and in favor of deregulation.

2.2 Political assumptions: powerless capitalists and powerful employees

The standard political economy version of the insider—outsider model, as applied to EPL, assumes a median voter outcome (Persson and Tabellini 2002; Saint-Paul 2002). In the model, nature distributes individuals to employment (insiders) and unemployment (outsiders) status such that the unemployed are a minority. Because employment protection benefits insiders at the expense of outsiders, the decisive voter supports a higher level of firing restrictions than outsiders do. How much higher? Outsiders do not support zero firing costs because the gain in terms of higher job creation without EPL may be too small compared to the gain in terms of lower job destruction under strict EPL (Saint-Paul 1996). Conversely, median insider workers

² In their original formulation, Lindbeck and Snower (1988, 1989) divide labor turnover costs into three categories: ‘production-related’ costs such as search, hiring, and training costs; costs related to insiders cooperating with one another but harassing underbidding new recruits; and ‘rent-related’ costs such as severance pay, seniority rules, advance notice, and other forms of legal protection against firing. That is, in the original version there are other sources of insider market power not related to legislation. But for the purpose of the paper, the key prediction remains: outsiders should oppose EPL.

would not prefer unrestricted EPL because of the risk of firms' bankruptcy, an excessive toll taken on innovation and growth, and the higher cost of unemployment, which may outweigh the benefits of tighter labor market restrictions: 'should they become unemployed in the future, they will have to wait longer for a job' (Persson and Tabellini 2002: 147). Hence, there is an unambiguous although bounded discrepancy between the median voter outcome and outsider preferences.

Assuming a median voter outcome implies that, *ceteris paribus*, countries with more informality and unemployment, or more precisely countries where the median voter is an outsider, should tend to have less protective labor legislation. Similarly, if under relatively strict EPL the insider median voter becomes an outsider, such as might occur in a developing country suffering a major negative economic shock, then, the electoral policy outcome should be reforming EPL to a lower level.

In the original version of the insider–outsider model, however, insiders are also expected to be politically stronger than both employers and outsiders, due to the EPL protections they enjoy (Saint-Paul 1996). This opens the door for alternative political models of labor market policy in which insiders may form labor unions and become a key core-constituency capable of mobilizing different types of voters. Hence, labor-based parties and governments that politically rely on organized constituencies may protect the interests of insiders even if outsiders are a majority (Rueda 2005). The difference between the two political models is that under the median voter outcome outsiders simply vote for a liberalizing reform that would increase their chances of getting a better job, while in a model of partisan constituencies outsiders' preferences for EPL should depend on the utility from both a more flexible labor market and the nontrivial consequences of weaker labor unions. As we discuss below in section 4.4, outsiders' preferences for EPL should be sensitive to the EPL's effect on the power of unions if the assumption of 'no capitalist power' from the insider–outsider model is relaxed.

A number of scholars have re-considered political accounts of the insider-outsider divide in developing countries from a “varieties of capitalism” perspective (Schneider and Karcher 2010; Wibbels and Ahlquist 2011). Similarly, Rueda et al. (2015) explain the persistence of strict labor regulations because of the political power of unionized insiders rather than the distribution of labor market preferences. In essence, this literature assumes a labor market conflict but emphasizes the inability of outsiders to express their preferences and political demands.

The received wisdom leaves us with an important puzzle at hand. While the insider-outsider model would predict high conflict between these two labor market groups around EPL, developing country experiences seem to show high convergence of preferences in other non-EPL policies. This would be perfectly consistent with the insider outsider model, as long as cash-transfers emerge, for example, as a form of compensation against strict EPL that benefits insiders at the expense of outsiders. However, the fundamental source of conflict in preferences for EPL should be still present. We show below that this is not the case. Outsiders support both EPL and the main insiders’ source of political power: trade unions.

2.3 The available evidence

There is a substantial literature based on the insider–outsider model. It has two main characteristics that are of particular interest here. First, it usually covers policy outcomes other than EPL itself; and second, it tends to focus exclusively on insider-outsider differences rather than analyzing whether outsiders actually oppose protective labor regulation as the model predicts. We briefly review the existing literature and show that even the critics of the insider–outsider model may have overlooked the central point that the majority of outsiders actually support, rather than oppose, EPL.

The distinction between insiders and outsiders has been generalized to broad categories of secure and vulnerable workers. Workers who are in stable employment are often considered as insiders,

while all the unemployed, involuntary fixed-term employed, and involuntary part-time employed are coded as outsiders (Lindbeck and Snower 2001; Saint-Paul 2002; Rueda 2005). The intuition is that outsiders are all the workers for whom EPL represents a barrier that raises the cost of entry into good quality, protected insider jobs. The process of growing segmentation between secure and unstable jobs is known as the dualization of the labor market (Saint-Paul 2002; Palier and Thelen 2010).

While the insider–outsider model has direct and unambiguous implications regarding preferences for employment protection, the political economy literature has instead focused on preferences for alternative policies that either protect the unemployed with transfers, namely, passive labor market policy, or help the unemployed to find new jobs through active labor market policy (Rueda 2005, 2007). Others have focused on insider–outsider differences in partisan preferences (Lindvall and Rueda 2014) and social policy preferences (Burgoon and Dekker 2010; Carnes and Mares 2014). See Schwander (2019) for a review of the literature. Surprisingly, research that analyses explicit preferences for EPL is scarce and confined to the world of developed nations (Häusermann et al. 2020; Duman and Kemmerling 2020; Biegert 2019).³ An exception is Berens and Kemmerling (2019) that we discuss below.

Moreover, studies that analyze individual preferences often seek to understand whether insider–outsider differences are significant at the *margin* rather than describing whether labor market outsiders unambiguously oppose insiders’ privileges. For instance, Rueda (2005: 65) justifies the insider–outsider model by reporting that in the Eurobarometer 64 per cent of the insiders in 16

³ See the symposium in Häusermann et al. (2020), whose main purpose is to make comparative politics research aware of the crucial structural changes that labour markets have undergone in the advanced capitalist democracies of the OECD. They highlight the importance of subjective risk assessment, continuous forms of exposure to risk, psychological considerations, and asymmetric divides in which one side has more organizational or identification resources than the other.

OECD countries consider ‘job security’ as a very important characteristic of a job while only 58 per cent of outsiders have the same opinion. Besides the problem that the data at hand does not directly refer to support for EPL, the substantive difference is very modest between insiders and outsiders, and the majority of outsiders actually prefer job security. Analyzing the same survey question from the 1997 International Social Survey Programme (ISSP), Emmenegger (2009) estimates that labor market insiders are the group that value job security the most, while labor market outsiders (such as the temporarily, part-time employed, and non-employed) are more critical, and the unemployed are somewhere in between. But, the data in the above two studies is about whether workers value certain attributes jobs might have. Testing the insider–outsider model requires data on workers’ preferences for protective labor regulations, such as severance payment, firing restrictions, or minimum wages.

In an insightful study, Guillaud and Marx (2014) analyze support for employment protection in an electoral context in France. Respondents report attitudes around real alternatives of policy reform in the context of a segmented labor market (Palier and Thelen 2010) and strict labor market regulation on dismissals (Venn 2009). The authors find that temporary outsider workers do not differ from permanent insider workers, while the (outsider) unemployed are about 11 percentage points more likely to support the single employment contract (i.e., deregulation) than permanent workers. Svalund et al. (2016) analyze preferences for EPL in Nordic countries and observe that insiders are even more prone to demand deregulation than outsiders.

Many researchers have used the insider–outsider logic to analyze the effects of labor market dualization on politics and policies in developing countries (Carnes 2014; Berens 2015; Holland and Schneider 2017). Baker and Velasco-Guachalla (2018) challenge this view, finding that differences in preferences between formal and informal workers are non-existent in Latin America. Research on preferences for EPL is surprisingly scarce and we can only refer to the different “narratives” existing in the literature.

One line of argumentation in these narratives goes back to developmental states and the origins of dualism in developing nations. The core insights of this argument emphasize import-substituting countries developed largely uncontested labor markets (Haggard 1990; Murillo 2000). As a consequence, the risks of not being employed in a protected industrial job were increased (Iversen and Soskice 2001) and so did the demands for restrictive labor market rules and generous pro-insider social insurance programs (Wibbels and Ahlquist 2011) that persisted even after periods of market liberalization reform (Murillo and Schrank 2005). This perspective, however, cannot explain why outsiders would support EPL.

There are several critiques of the insider–outsider literature regarding its predictions about workers’ preferences. Scholars arguing for convergence in insider–outsider preferences around EPL emphasize overly-optimistic expectations among outsiders regarding their chances of finding a good inside job (Guillaud and Marx 2014); weaker assumptions regarding workers’ rationality (Emmenegger 2009); the existence of complex policy packages offered by political parties (Svalund et al. 2016); and outsiders’ fear of potential erosions in the power balance between capital and labor (Tsakalotos 2004).⁴ All these critiques offer useful guidelines to explore the reasons why informal outsider workers in developing countries may support EPL rather than oppose it. But the evidence only covers developed countries, and, more importantly, none of them point to the potential existence of market failures. They neglect the fact that protective labor regulations can increase both employment and efficiency, benefitting both insider and outsiders, in contexts in which employers have monopsony power.

Finally, there is a recent contribution worth emphasizing. Berens and Kemmerling (2019) is similar to our study since they analyze the opinions of workers towards labor law in 18 Latin

⁴ Another challenge to the insider–outsider model of labor market preferences refers to early political socialization (Wehl 2018).

American countries using four waves of the public opinion survey Latinobarometro. Furthermore, they explicitly analyze differences in opinions between formal and informal workers. They find that large segments of society perceive labor law as protective for workers. At the same time, they estimate a rather small substantive effect for formal workers assessing the protective function of labor law more positively than informal workers. While this is a useful contribution, data limitations impede a stronger test of insider-outsider theory as the authors recognize. The survey asks: ‘How protected by labor law do you think workers feel in (country)?’⁵ To properly test the insider-outsider hypothesis we need a question that asks whether the respondent supports or opposes labor regulations.

3 Establishing a stylized fact: outsiders support protective EPL in developing countries

There are quite a number of surveys where employers and experts are asked to report their preferences for labor regulations. For example, the World Bank itself has two initiatives: The Enterprise Survey and the Doing Business survey. There are, however, almost no surveys asking workers about their preferences for labor regulations in developing countries. To the best of our knowledge, there are only two single questions, one in the 2008 Latin American Public Opinion Project (LAPOP 2008)) and the other in the 2006 and 2016 International Social Survey Programme (ISSP Research Group 2008, 2018). The LAPOP question refers to minimum wages, and the ISSP refers to working time regulations, which we complement with our own collected data about preferences for severance pay. We acknowledge that each data source has its own

⁵ This is our own translation.

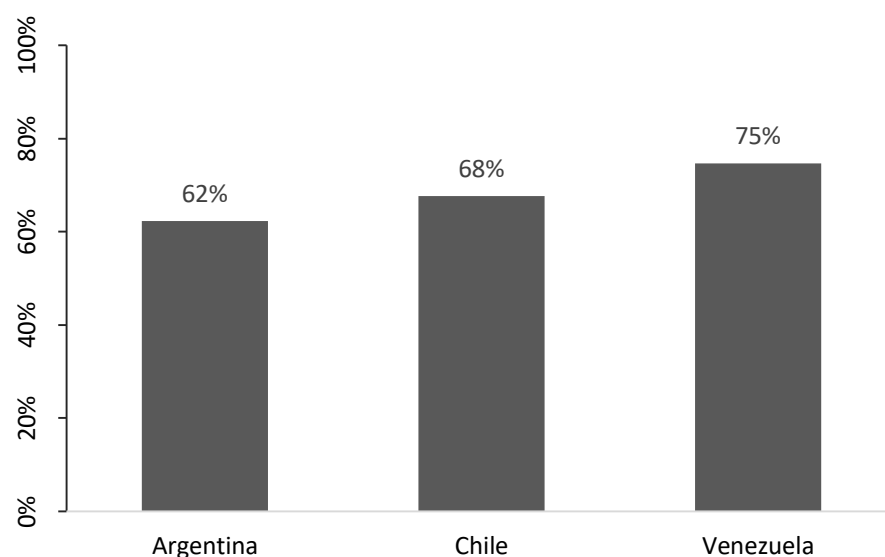
limitations. Taken together, the evidence we find is clear: the large majority of outsiders in developing countries *support* EPL.⁶

3.1 Preferences for minimum wages and working time regulations in available surveys

In 2008, LAPOP included the following question in Argentina, Chile, and Venezuela: ‘Do you think that an increase in the minimum wage will improve your labor situation?’ Respondents could select ‘yes’ or ‘no’ as their answer. Figure 1 shows the share of outsiders (defined as employees without a legally mandated work contract) who report a positive answer. In the three countries, the majority of outsiders support an increase in the minimum wage. They do not think that a higher minimum wage would make their labor situation even more meagre, as insider–outsider theory predicts.

Figure 1: Share of employees without a work contract who support a higher minimum wage

⁶ In the main text, we present estimates of support for EPL for two groups of outsiders: unemployed workers and employees without access to legally mandated benefits. But, many low-skilled self-employees in the developing world could also be considered outsiders. They tend to be independent workers by necessity; they would prefer to work as formal employees but cannot find such a job (Anchorena and Ronconi 2014; Margolis 2014). Therefore, we also compute estimates for this group (defined as self-employees with less than complete secondary school education), and also find that the majority of them also support EPL (results are in an online Appendix).



Source: Authors' calculations from LAPOP (2008) data.

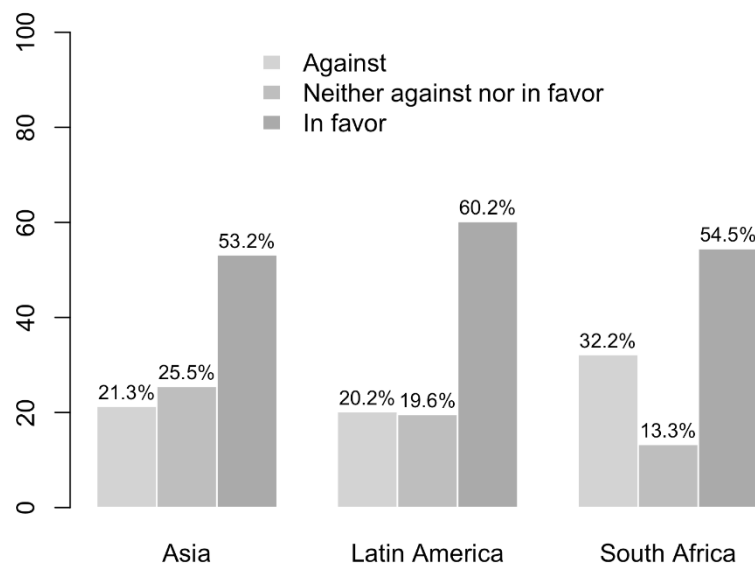
The LAPOP data has a number of limitations. First, those who think that an increase in the minimum wage would have no effect on their welfare cannot be distinguished from those who think that an increase in the minimum wage would hurt them, which is what the insider–outsider model predicts. A second limitation is that the question was not asked to unemployed workers.

In 2006 and in 2016 the ISSP asked the following question: ‘Are you in favor or against reducing the working day to create more jobs?’. Advantages of these data are the fact that unemployed workers were also asked to respond this question and that the survey covers many developing countries.⁷ However, there are some limitations too. First, while, theoretically, respondents could select being ‘in favor’ or ‘against’ the measure, the way the question was framed makes the latter option less likely (i.e. who would oppose a reform that *creates more jobs?*). Second, it is not possible to distinguish between formal and informal employees in ISSP (i.e. with or without access to legally mandated benefits). Finally, restrictions on working time may be less interesting than testing preferences over minimum wages and dismissal restrictions.

⁷ The countries are Chile, Dominican Republic, Suriname, and Venezuela in Latin America; Georgia, India, Philippines, Thailand, and Turkey in Asia; and South Africa.

Figure 2 shows the results for unemployed workers. We have pooled both surveys and grouped workers by continent; but, qualitatively, the same result is observed in every country. Again, the majority of outsiders support rather than reject labor regulations.

Figure 2: Share of unemployed workers who are in favor, against, and neither against nor in favor of reducing the working day



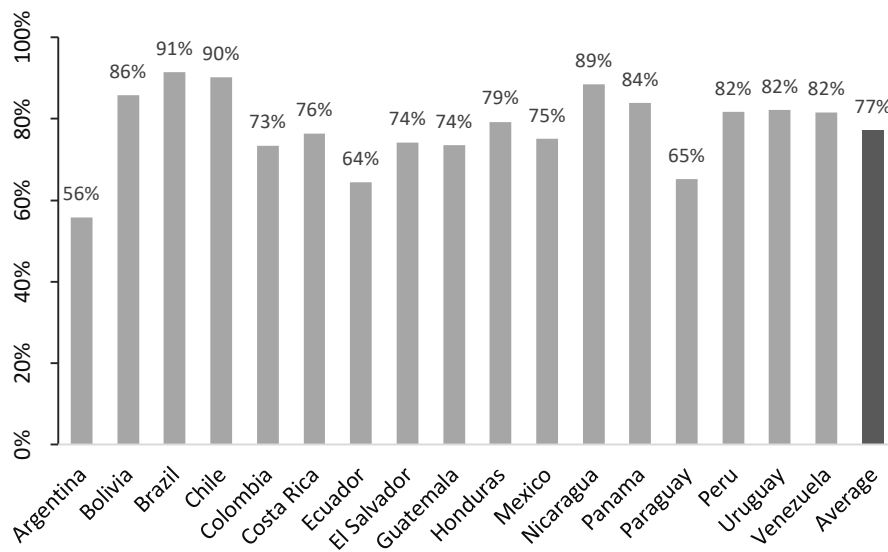
Notes: Pooled data from ISSP 2006 and 2016 waves. List of countries is in footnote 6.

Source: Authors' calculations from ISSP (2008, 2018) data.

Latinobarometro includes a question about trade unions. From an insider-outsider perspective, labor unions are a crucial instrument that serves the interests of insiders. Labor unions can augment insiders' bargaining power, can amplify the costs of hiring and firing, can enforce EPL, and can provide insiders with new rent-seeking tools such as threats of strike (Lindbeck and Snower 1989). Therefore, according to the insider-outsider theory, the outsiders should *oppose* labor unions.

Figure 3 presents the share of unemployed workers who answer “strongly agree” or “somewhat agree” to the phrase: “Workers need strong trade unions to protect wages and working conditions”. On average 77% of unemployed workers in LAC support labor unions; only 23% selects the other two options (i.e., “somewhat disagree” and “strongly disagree”).

Figure 3: Share of unemployed workers who somewhat agree or strongly agree that workers need strong trade unions to protect wages and working conditions



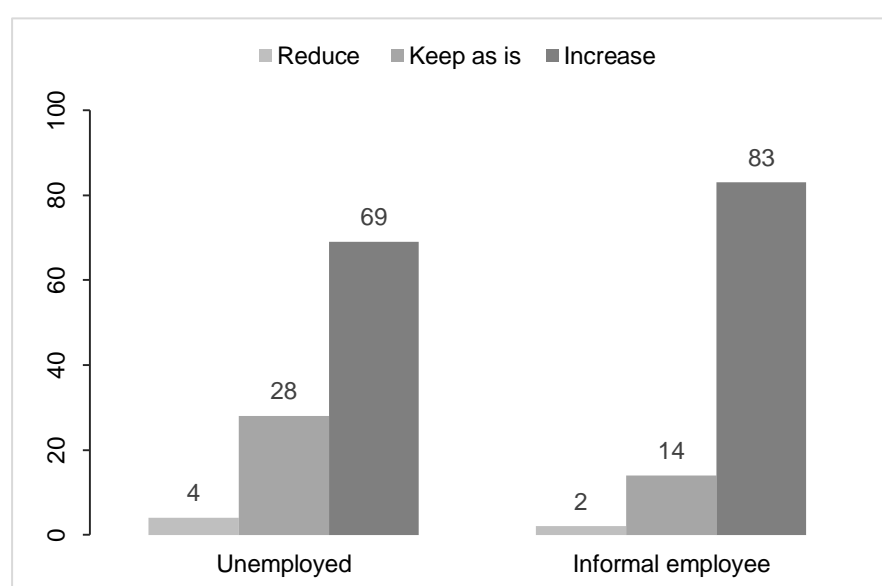
Source: Authors' calculations from Latinobarometro (2002) data.

3.2 Preferences for severance payment in our own collected data

To provide additional evidence, we collected primary data. Rather than estimating population parameters, our objective here is providing cost-efficient suggestive evidence based on questions explicitly designed to collect preferences for reform of EPL in Latin American countries. We follow a transparent and inexpensive methodology that any researcher elsewhere can replicate it.

During 2016 we asked 1,000 individuals to answer a very short survey while they were waiting in the train station in Buenos Aires, Argentina; 795 people accepted and completed the survey.⁸ We asked: ‘In your opinion, should severance payment be increased, kept as it is, or reduced?’⁹ We find that the large majority of outsiders, including both unemployed and informal workers—defined as employees without access to health insurance through their employer, which is legally mandated in Argentina—support an increase in severance pay (Figure 4). Only 4 per cent of the unemployed and 2 per cent of the informal employees support a reduction in severance pay as predicted by the insider–outsider model.

Figure 4: Preferences of unemployed and informal employees with respect to severance pay in Argentina



Source: Authors' own data collected at train stations in Buenos Aires, Argentina.

⁸ The Buenos Aires metropolitan area has an extensive commuter rail system. Every weekday, hundreds of thousands of people commute from their homes in Greater Buenos Aires to the capital city for work. The employment status of the collected sample is similar to official estimates. For example, 30 per cent of employees do not have health insurance in our sample, compared to 31 per cent in the main Argentine household survey (i.e., EPH).

⁹ The exact wording is: “Para usted, ¿habría que aumentar la indemnización por despido, dejarla como está, o reducirla?”

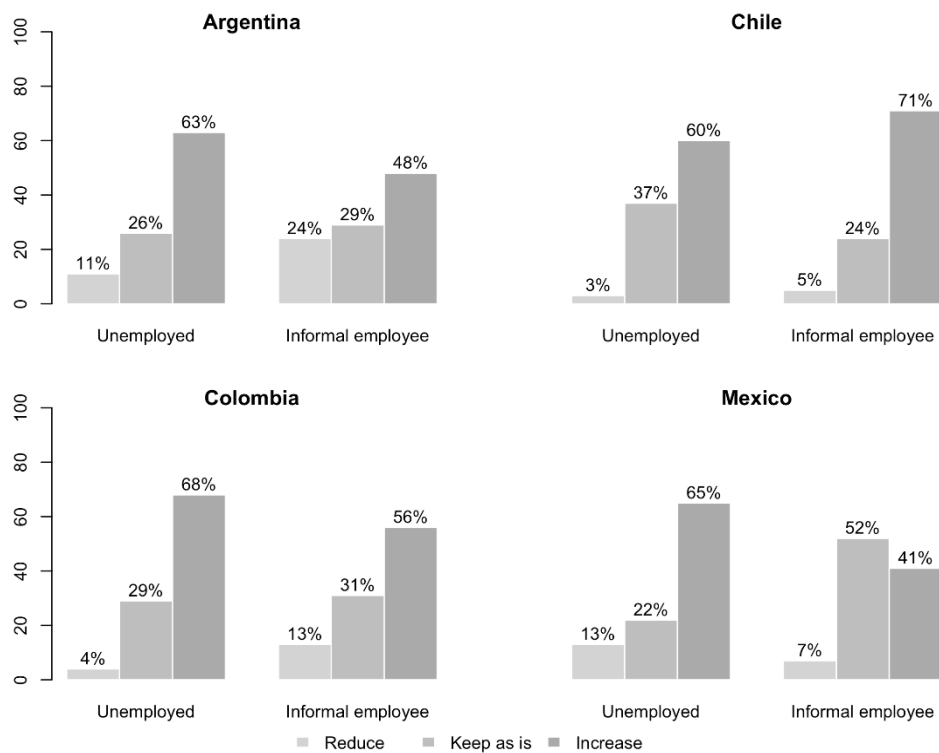
Arguably, our sample from the Buenos Aires' train stations comes from a relatively homogenous group of urban workers. As a means of providing additional suggestive evidence, during 2017, we also collected data through online surveys in four different Latin American countries (i.e. Argentina, Chile, Colombia, and Mexico). Data from different political and institutional contexts further strengthen our previous findings. We observe a total of 547 labor market participants. Outsiders are either unemployed or employed without legally mandated benefits (pension contribution).¹⁰ The online samples are certainly different from the population in that they are younger and more educated (the average number of years of schooling is 15.3 years, compared to 9.7 years in the population), and with a smaller share of informal employees (23 per cent in the sample compared to 39 per cent in the population). This suggests that the outsider preferences we observe from the online samples are, in principle, the least likely to exhibit high support to EPL.

We asked the following question: 'There has been some recent discussion about the need to change the amount of severance pay in (your country). Some people think that the cost of firing is too high for those who have to pay it. Others, on the contrary, think that severance pay should be higher. What do you think: severance pay should be increased, left as it is, or reduced?'

Figure 5 presents the results. Again, the majority of outsiders, including both unemployed and informal workers—in this case, defined as employees without a contribution to the pension system—support an increase in severance pay. On average only 8 per cent of the unemployed and 12 per cent of the informal employees support a reduction in severance pay, which contradicts the basic prediction of the insider–outsider model.

¹⁰ Participants were recruited between April 10 and May 1, 2017, using different online ads (through Facebook Business) and redirected toward our survey based on the Qualtrics platform. The landing page had an 'informed consent' form. Those who accepted the terms were allowed to respond to the survey.

Figure 5: Preferences of unemployed and informal employees with respect to severance pay



Source: Authors' own data collected through online surveys.

4 Revisiting the assumptions of the insider–outsider model

The assumptions of the insider–outsider framework are a neoclassical competitive labor market, where the median voter is a formal employee who benefits from EPL. In this framework, outsiders (either unemployed or employees without access to EPL) should be clearly against regulation and in favor of deregulation. Yet our evidence shows the opposite. There is considerable support for regulations from outsiders. This requires us to revisit the assumptions of the canonical insider–outsider model. We show below that relaxing some assumptions can

potentially explain why outsiders support regulation. Finally, we briefly review the empirical literature, attempting to gauge the relevance of the alternative assumption.

4.1 Employer economic power

At the heart of the insider–outsider framework is the assumption of a competitive labor market with no employer power. But if there is indeed employer power then the predictions of the standard model could not hold. This has been known at least since the classic paper by Stigler (1946), which showed that when there is monopsony –a term first used in print by Joan Robinson (1969: 215) –an enforced minimum wage, provided it was not too high, would actually increase employment, benefitting both insiders and outsiders. The intuition behind the positive employment effect of a minimum wage is straightforward. A monopsonist can drive down the wage per worker by reducing employment and hence going down the supply curve of labor. Forcing the monopsonist to pay a higher wage brings us back up the supply curve and hence to higher employment, provided the wage does not exceed the competitive wage.

There has been considerable extension of the Stigler model to bring it up to date with modern perspectives such as search theory, including the by now standard reference of Manning (2005). Basu et al. (2010) further extend the theory to include partial enforcement, but the basic conclusion stands—with employer power there is a significantly greater likelihood that regulations like minimum wages will actually increase employment and thus benefit outsiders.

Empirical evidence on the employment consequences of regulations is mixed. The empirical battle was launched by the seemingly (at that time) counterintuitive results of Card and Krueger (1994), which were in turn countered by Neumark and Wascher (2008). In a recent review of the global literature on minimum wage and employment, Bhorat et al. (2017) emphasize the wide variation in results across countries. However, the main takeaway from our perspective is that EPL is not necessarily against the interests of the outsiders.

4.2 Sharing between insiders and outsiders

The standard insider–outsider perspective in the labor economic literature views insiders and outsiders as individuals disconnected from each other. The tension is thus very clear if regulations benefit insiders at the expense of outsiders. But what if insiders and outsiders are linked through sharing mechanisms, through the family, or through other forms of association? Then the ‘cost’ to outsiders at the ‘benefit’ to insiders as seen by the conventional model is an inaccurate description of reality. Let us explore sharing for the case which is most favorable for the conventional insider–outsider predictions—that of a competitive labor market—and let us consider the implications of an enforced minimum wage in this setting.

Imagine, first, that the labor force is one giant family with equal sharing of all income among the members. Then, what matters is the total wage bill. The division between those who earn this (the insiders) and those who do not (the outsiders) does not matter. What matters, then, is the impact of the enforced minimum on the total wage bill, and we know that this will rise with the wage when the elasticity of labor demand is less than one, which is the empirically relevant case.¹¹ With perfect sharing between outsiders and insiders, therefore, outsiders (and insiders) will support a higher minimum wage. If sharing is not perfect, then outsiders receive only a fraction, which could be sufficiently high to make them respond by being supportive of regulations.

How is the sharing between insiders and outsiders put into effect in practice? This can be done through sharing within labor associations which have special funds for their members who are currently unemployed, financed by a levy on those employed. But the most obvious channel of sharing is through families and households. Such sharing is not perfect, but it is not non-existent

¹¹ The seminal work of Hamermesh (1993), who reviews the earlier empirical literature, concludes that the constant-output own wage elasticity of labor demand is -0.30, and a more recent meta-analysis covering 105 studies finds a median elasticity of -0.39 (Lichter et al. 2015).

either (Kanbur 2018).¹² To the extent that households and families contain both insiders and outsiders, and to the extent that there is sharing within the household, we are likely to find outsiders supporting regulation which, even if we assume it damages them as individuals, benefits them because it benefits insiders within their households.

4.3 Transitions between insider and outsider status

Suppose that the standard view is right and that the spot market for labor is indeed competitive in the neoclassical sense. In this case we would be back to the situation where insiders and outsiders are segmented, with outsiders being worse off than insiders who benefit from regulation. But this is the spot market. What if there were transitions between the two segments, so that no one was an outsider or an insider for long? It is easy to see that in such cases the (current) outsiders' presumed opposition to regulation, from the prediction of the standard model, would be dented by the fact that outsider status is not given and permanent. Today's outsiders would share insider benefits tomorrow, the exact amount depending on the specific transition patterns. The prospect of transition to insider status will raise the present discounted value of the projected earnings of outsiders and thus mitigate their opposition to the regulation.

¹² In Argentina, insiders receive legally mandated health insurance from the employer for them, their spouse and children. In this case, the spouse of an insider can support EPL even if he/she is an outsider. An interesting question is, what share of insiders' spouses are outsiders? The latest available household survey (i.e., EPH second quarter of 2021), shows that almost half of the head of household 18 to 64 years old are insiders (i.e., 45.7%); and that 57.5% of the insiders' spouses are outsiders. This illustrative evidence suggests that insider-outsider sharing within the household is important. Note, however, that this cannot fully explain the wide support for EPL among outsiders shown before. More than half of head of household are outsiders (i.e., 54.3%), and most of the outsiders' spouses are outsiders too (i.e., 75.1%). The sample size is 47,085 individuals in 11,478 households. The data is available at www.indec.gob.ar

But how frequent are transitions between the two segments in the developing world? Antón et al. (2012: Table 3) report that for Mexico, between 2007 and 2008, 11 per cent of all workers changed status between formality and informality. Of formal workers, 12.8 per cent change status to informality, while of informal workers, 9.2 per cent change status to formality. Recent evidence from Asia also suggests relatively few transitions. McCaig and Pavcnik (2015) focus on Vietnam over a decade of rapid growth. Despite the fact that gross domestic product per capita almost doubles, the share of the workforce employed in the informal sector only drops from 0.86 to 0.79. Furthermore, using panel data, the authors find relatively few transitions, with 78 per cent of workers always working in the informal sector, 12 per cent always working in the formal sector, and 10 per cent switching. Gutierrez et al. (2019) explore transitions in Bangladesh using a retrospective survey. They find that the large majority of workers who start working without a contract remain in that situation (80 per cent). Only 7 per cent are able to switch to a job with a written contract and 13 per cent to a job with a verbal contract. Finally, Nordman et al. (2016) find that, in Madagascar, 21.3 per cent of informal employees and 11 per cent of self-employees were able to obtain a formal job four years later.

Summing up, the main takeaway from our perspective is that, although it is theoretically possible to conceive a labor market where frequent transitions from informality to formality lead to outsiders' support for EPL, the available evidence suggests that transitions can only account for a small share of the observed outsiders' support for EPL.

4.4 Insiders, outsiders, and capitalists' political power

The insider–outsider model assumes that the key distributive conflict is between two groups of workers, insiders (i.e. formal workers) and outsiders (i.e. unemployed and informal workers), in a context where capitalists lack political power. To explain the existence of EPL, the model assumes either that the median voter is an insider or that policies are influenced by lobbies and insiders have better capacity to mobilize than outsiders. In developed countries the median voter

assumption works because it is an insider. But, in developing countries, where usually less than half of the labor force works as a registered employee with social security coverage, the median voter is usually an outsider, and hence, to explain the existence of EPL, it is necessary to assume that insiders are a minority who wield decisive political power.

This view requires the assumption that capitalists have no meaningful political power. Such an extreme assumption is, in our perspective, a possible reaction against a Marxist political economy approach, which focuses on the struggle between capital and labor, and it overlooks conflicts within the workforce. The insider–outsider model, in order to emphasize the existence of conflict among workers, implicitly makes the unrealistic assumption of no capitalist power.

Indeed, the reason why insider–outsider preferences may converge, although not perfectly, is that there is important capitalistic political power. If outsiders push for their ideal EPL, they may end up in a worse point (complete flexibility) than the pro-insider status quo. For example, Tsakalotos (2004) argues that partial deregulation, even when benefitting outsiders at the expense of insiders, also changes the power balance towards employers. When insiders lose the power that underpins their privileges, they are weakened not just with respect to the outsiders but also with respect to employers. This increases the risk of triggering a process of deregulatory change that, in the long term, may be damaging to all workers and not just the current insiders. If deregulation reduces the power of insiders against capital, there is room for an unstable political situation. The net effect of such a deregulating context could potentially harm current outsiders to a larger extent than the costs they pay for the status quo, i.e. rigid labor market rules governed by the insider worker preferences. In this context, outsiders' opposition to deregulation is reasonable.

4.5 Relaxing the *homo economicus*

Insider–outsider theory assumes that workers are rational, egoistic, and materialist; they maximize a combination of income and security based on more or less accurate information (Saint-Paul 1996; Persson and Tabellini 2002). Relaxing these assumptions could explain outsiders’ support for EPL. First, outsiders may be too optimistic and overestimate their probability of obtaining a formal job. Future expectations of upward mobility (Benabou and Ok 2001; Guillaud 2013) may partly explain the lack of significant differences between preferences and attitudes of formal and informal workers. Also, workers may have biased perceptions of future risk due to the desire to comply with social norms. This type of bias is well known in the context of self-perceived income, where all groups are biased toward perceiving that they have middle incomes. Bias in income (or objective labor market risk) affects policy preferences. For instance, Cruces et al. (2013) find that the poor demand less redistribution than their objective self-interest would suggest because they think they are richer than they actually are. Informal outsider workers may also fail to recognize their relative disadvantage in the distribution of labor market risks. If so, their preferences for EPL should explain convergence with insider preferences. Furthermore, the consequences of EPL could be wrongly understood. Concluding that a law that provides benefits for workers could be detrimental to some of them is somewhat counterintuitive. Employment protection rules may therefore involve strong framing effects known in other political economy areas such as labor market effects of trade policy (Hiscox 2006).

Workers may not be as selfish and materialistic as it is assumed in the neoclassical model of *homo economicus*. Outsiders could identify themselves with a broader relevant group such as the working class. Identity considerations and other regarding preferences (Shayo 2009; Lupu and Pontusson 2011) may thus affect how outsiders perceive redistribution toward other proximate groups and therefore support protection for other members of the working class such as the insiders. Relaxing the assumption of an egoistic worker also opens the possibility that workers form

preferences on a purely ideological basis and, combined with the development of partisan preferences, affect preferences for EPL. Evidence of this has been found in other areas of labor market policies (Gallego and Marx 2017); however, there is no empirical test able to disentangle the problem when it comes to employment protection rules.

Finally, but quite importantly, the prevalence of fair-minded workers in the labor market may have important implications for the insider-outsider model. Outsiders may oppose reductions in severance payments or in the minimum wage because they perceive those regulations as fair. These policy measures may influence the reference point relative to which workers evaluate fairness. Experimental evidence—mainly from the lab— indicates that a substantial share of the population has reference-dependent fairness concerns (Falk et al. 2006; Fehr et al. 2009).

4.6 Partial enforcement and compliance

We now relax some assumptions of the insider–outsider model that can explain a moderate opposition of outsiders to protective EPL but cannot explain the level of support we find in the real world. The insider–outsider model usually assumes full compliance with regulations, quite a departure from the reality of labor markets in the developing world (Rani et al. 2013; Kanbur and Ronconi 2018). *De jure* protective labor regulations would have little or no effect if there was zero enforcement, in which case insiders would not support EPL nor would outsiders oppose it. If enforcement is weak and compliance is partial, then the distortions produced by the protective labor regulations (and, hence, the degree of opposition of outsiders to these laws) would be less severe compared to a situation with full compliance. That is, relaxing the assumption of full compliance moderates outsiders’ opposition to EPL but cannot explain the support we observe.

However, the idea that partial compliance with a distortionary regulation produces less inefficiency than full compliance could be misleading, particularly when we take into account that breaking the rule of law can bring large economic and social costs (see, for example,

Acemoglu et al. 2005; Haggard and Tiede 2011; Ronconi and Zarazaga 2015). If this is the case, then outsiders should strongly oppose the combination of protective labor regulations and weak enforcement.

5 Conclusion

The “insider-outsider” perspective has come to dominate analytical and policy discourse on labor regulations. It is argued that protective labor regulations hurt the less well-off outsiders but are kept in place because of the interests of the insiders, those who are covered by the regulations. But if the insider-outsider divide were as depicted in the standard representation, outsiders would be strongly against labor regulations. However, contrary to the predictions of the insider–outsider model, we show that the large majority of outsiders in developing countries support, rather than oppose, protective labor regulations. Most of the evidence is from Latin American countries, a region with quite stringent labor codes, and hence a most likely scenario for finding large insider-outsider differences in support for EPL. The evidence holds across different types of protective labor regulations (i.e. severance payment, minimum wages, working time), and for different categories of outsiders (i.e. unemployed workers and employees without access to legally mandated labor benefits). We consider this is an important stylized fact that has been generally overlooked.

Of course, each of our data sources has limitations, and these are discussed further in the paper. To better understand outsider support for EPL, or test the assumptions of IO theory, we need new types of evidence and research designs. The implementation of survey experiments is probably a worth considering effort, insofar as this method may help to isolate the causal effect of the different potential causes we have theoretically discussed in this paper. For example, a fundamental question is whether outsiders perceive EPL as a collective good with positive externalities for all workers. If this is the case, outsiders may be reacting, more or less

consciously, to excessive levels of employer power. Evidence of this type of behavior would imply that class cleavages over EPL (workers vs. capital) outweigh sectoral or insider-outsider cleavages. Another key political economy question is explaining the support of outsiders for unions. Increasing evidence shows that cross-labor coalitions have led unions to support and mobilize around benefits for outsiders (Fairfield and Garay 2017; Rossi 2017).

While preliminary, the evidence we present also calls for a theoretical rethink of a sharp insider-outsider divide. We suggest a number of avenues for exploration, including income sharing between insiders and outsiders, transitions between insider and outsider status, employer power, and social norms in the labor market. Each of these can potentially provide an explanation for why outsiders could support regulations which have so far been argued to be detrimental to their interests. The insider-outsider perspective on labor markets has stood unchallenged for far too long. We believe that a thorough empirical and theoretical rethink is now called for.

References

- Acemoglu D., S. Johnson, and J. Robinson (2005). 'Institutions as the Fundamental Cause of Long-run Growth'. In P. Aghion and S. Durlauf (eds), *Handbook of Economic Growth*, Vol. 1A. Amsterdam: North Holland
- Anchorena, J., and L. Ronconi (2014). 'Entrepreneurship, Entrepreneurial Values, and Public Policy in Argentina'. In E. Lora and F. Castellani (eds), *Entrepreneurship in Latin America. A Step Up the Social Ladder?* Washington, DC: World Bank.
- Antón, A., F. Hernández, and S. Levy (2012). *The End of Informality in Mexico? Fiscal Reform for Universal Social Insurance*. Washington, DC: Inter-American Development Bank.
- Baker, A., and V.X. Velasco-Guachalla (2018). 'Is the Informal Sector Politically Different? (Null) Answers from Latin America'. *World Development*, 102(February): 170–82.
<https://doi.org/10.1016/j.worlddev.2017.09.014>.
- Basu, A., N. Chau, and R. Kanbur (2010). 'Turning a Blind Eye: Costly Enforcement, Credible Commitment and Minimum Wage Laws'. *Economic Journal*, 120(March): 244–69.
- Benabou, R., and E.A. Ok (2001). 'Social Mobility and the Demand for Redistribution: The Poup Hypothesis'. *The Quarterly Journal of Economics*, 116(2): 447–87.
<https://doi.org/10.1162/00335530151144078>.
- Berens, S. (2015). 'Preferences on Redistribution in Fragmented Labor Markets in Latin America and the Caribbean'. *Journal of Politics in Latin America*, 7(3): 117–56.
- Berens, S., and A. Kemmerling (2019). 'Labor Divides, Informality, and Regulation: The Public Opinion on Labor Law in Latin America'. *Journal of Politics in Latin America*.
<https://doi.org/10.1177/1866802X19843362>.
- Bhorat, H., R. Kanbur, and B. Stanwix (2017). 'Minimum Wages in Sub-Saharan Africa: A Primer'. *The World Bank Research Observer*, 32(1): 21–74.
- Biegert, T. (2019). Labor market institutions, the insider/outsider divide and social inequalities in employment in affluent countries, *Socio-Economic Review*, 17(2): 255–81.
- Burgoon, B., and F. Dekker (2010). 'Flexible Employment, Economic Insecurity and Social Policy Preferences in Europe'. *Journal of European Social Policy*, 20(2): 126–41.
- Card, D., and A.B. Krueger (1994). 'Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania'. *The American Economic Review*, 84(4): 772–93.
- Carnes, M.E. (2014). 'Hooking Workers and Hooking Votes: Enganche, Suffrage, and Labor Market Dualism in Latin America'. *Latin American Politics and Society*, 56(2): 93–114.
<https://doi.org/10.1111/j.1548-2456.2014.00233.x>.
- Carnes, M.E., and I. Mares (2014). 'Coalitional Realignment and the Adoption of Non-Contributory Social Insurance Programmes in Latin America'. *Socio-Economic Review*, 12(4): 695–722. <https://doi.org/10.1093/ser/mwt024>.
- Cruces, G., R. Perez-Truglia, and M. Tetaz (2013). 'Biased Perceptions of Income Distribution and Preferences for Redistribution: Evidence from a Survey Experiment'. *Journal of Public Economics*, 98 (February): 100–12. <https://doi.org/10.1016/j.jpubeco.2012.10.009>.
- Doing Business (2009). *Doing Business Report 2010. Reforming through difficult times*. The World Bank, IFC and Palgrave MacMillan Press.

- Duman, A., and A. Kemmerling. (2020). Do you feel like an insider? Job security and preferences for Flexibilization across Europe. *Social Policy & Administration*, 54(5): 749-64.
- Emmenegger, P. (2009). 'Barriers to Entry: Insider/Outsider Politics and the Political Determinants of Job Security Regulations'. *Journal of European Social Policy*, 19(2): 131-46. <https://doi.org/10.1177/0958928708101866>.
- Fairfield T and C. Garay (2017). Redistribution under the right in Latin America: electoral competition and organized actors in policymaking. *Comparative Political Studies*, 50(14), 1871-906.
- Falk, A., E. Fehr, and C. Zehnder (2006). 'Fairness Perceptions and Reservation Wages—the Behavioral Effects of Minimum Wage Laws'. *The Quarterly Journal of Economics*, 121(4): 1347-81.
- Fehr, E., L. Goette, and C. Zehnder (2009). 'A Behavioral Account of the Labor Market: The Role of Fairness Concerns'. *Annual Review of Economics*, 1: 355-84.
- Gallego, A., and P. Marx (2017). 'Multi-Dimensional Preferences for Labour Market Reforms: A Conjoint Experiment'. *Journal of European Public Policy*, 24(7): 1027-47. <https://doi.org/10.1080/13501763.2016.1170191>.
- Guillaud, E. (2013). 'Preferences for Redistribution: An Empirical Analysis over 33 Countries'. *Journal of Economic Inequality*, 11(1): 57-78.
- Guillaud, E., and P. Marx (2014). 'Preferences for Employment Protection and the Insider-Outsider Divide: Evidence from France'. *West European Politics*, 37(5): 1177-85. <https://doi.org/10.1080/01402382.2014.902169>.
- Gutierrez, I., K. Kumar, M. Mahmud, F. Munshi, and S. Nataraj (2019). 'Transitions Between Informal and Formal Employment: Results from a Worker Survey in Bangladesh'. *IZA Journal of Development and Migration*, 9(1): 1-27.
- Haggard, S. (1990). *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*. Ithaca, NY: Cornell University Press.
- Haggard, S., and L. Tiede (2011). 'The Rule of Law and Economic Growth: Where Are We?'. *World Development*, 39(5): 673-85.
- Hamermesh, D. (1993). *Labor Demand*. Princeton, NJ: Princeton University Press.
- Häusermann, S., Kemmerling A., and D. Rueda (2020). How Labor Market Inequality Transforms Mass Politics. *Political Science Research Methods* 8(2): 344-55.
- Heckman, J. and C. Pagés (2004). *Law and Employment: Lessons from Latin America and the Caribbean*. Chicago: The University of Chicago Press.
- Hiscox, M.J. (2006). 'Through a Glass and Darkly: Framing Effects and Individuals' Attitudes towards International Trade'. *International Organization*, 60(3): 755-80.
- Holland, A.C., and B.R. Schneider. 2017. 'Easy and Hard Redistribution: The Political Economy of Welfare States in Latin America'. *Perspectives on Politics*, 15(04): 988-1006. <https://doi.org/10.1017/S1537592717002122>.
- ISSP Research Group (2008). 'International Social Survey Programme: Role of Government IV - ISSP 2006. GESIS Data Archive, Cologne. ZA4700 Data file Version 1.0.0, doi:10.4232/1.4700.
- ISSP Research Group (2018): International Social Survey Programme: Role of Government V - ISSP 2016. GESIS Data Archive, Cologne. ZA6900 Data file Version 2.0.0, doi:10.4232/1.13052

- Iversen, T., and D. Soskice (2001). 'An Asset Theory of Social Policy Preferences'. *American Political Science Review*, 95(4): 875–93.
- Kanbur, R. (2018). 'Intrahousehold Inequality and Overall Inequality'. In J.A. Ocampo and J.E. Stiglitz (eds), *The Welfare State Revisited*. New York, NY: Columbia University Press.
- Kanbur, R., and L. Ronconi (2018). 'Enforcement Matters: The Effective Regulation of Labour'. *International Labour Review*, 157(3): 331–56.
- LAPOP (Latin American Public Opinion Project) (2008). 'The Americas Barometer'. Available at: <https://www.vanderbilt.edu/lapop/data-access.php>
- Latinobarometro (2002). Available at <http://www.latinobarometro.org/lat.jsp>
- Lichter, A., A.s Peichl, and S. Sieglöch (2015). 'The Own-wage Elasticity of Labor Demand: a Meta-regression Analysis'. *European Economic Review*, (80): 94–119.
- Lindbeck, A. and D. Snower (1988). 'Cooperation, Harassment, and Involuntary Unemployment: an Insider-outsider Approach'. *American Economic Review*, 78(1): 167–89.
- Lindbeck, A., and D. Snower (1989). *The Insider-Outsider Theory of Employment and Unemployment*. Cambridge, MA: MIT Press.
- Lindbeck, A., and D. Snower (2001). 'Insiders versus Outsiders'. *Journal of Economic Perspectives*, 15(1): 165–188. <https://doi.org/10.1257/jep.15.1.165>.
- Lindbeck, A., and D. Snower (2002). 'The Insider-Outsider Theory: A Survey'. IZA Discussion Paper 534. Bonn: IZA Institute of Labor Economics.
- Lindvall, J., and D. Rueda (2014). 'The Insider–Outsider Dilemma'. *British Journal of Political Science*, 44(02): 460–75. <https://doi.org/10.1017/S0007123412000804>.
- Lupu, N., and J. Pontusson (2011). 'The Structure of Inequality and the Politics of Redistribution'. *American Political Science Review*, 105(2): 316–36. <https://doi.org/10.1017/S0003055411000128>.
- Manning, A. (2005). *Monopsony in Motion: Imperfect Competition in Labor Markets*. Princeton, NJ: Princeton University Press.
- Margolis, D. (2014). 'By Choice and by Necessity: Entrepreneurship and Self-Employment in the Developing World'. *European Journal of Development Research*, 26(4): 419–36.
- McCaig, B., and N. Pavcnik (2015). 'Informal Employment in a Growing and Globalizing Low-income Country'. *American Economic Review*, 105(5): 545–50.
- Murillo, M.V. (2000). 'From Populism to Neoliberalism. Labor Unions and Market Reforms in Latin America'. *World Politics*, 52(2): 135–168. <https://doi.org/10.1353/wp.2000.000>.
- Murillo, M.V., and A. Schrank (2005). 'With a Little Help from My Friends'. *Comparative Political Studies*, 38(8): 971–99. <https://doi.org/10.1177/0010414004274402>.
- Nordman, C., F. Rakotomanana, and F. Roubaud (2016). 'Informal Versus Formal: A Panel Data Analysis of Earnings Gaps in Madagascar'. *World Development*, 86: 1–17.
- Neumark, D., and W. Wascher (2008). *Minimum Wages*. Cambridge, MA: The MIT Press.
- Palier, B., and K. Thelen (2010). 'Institutionalizing Dualism: Complementarities and Change in France and Germany'. *Politics & Society*, 38(1): 119–48. <https://doi.org/10.1177/0032329209357888>.
- Persson, T., and G. Tabellini (2002). *Political Economics: Explaining Economic Policy*. Cambridge, MA: The MIT Press.

- Rani, U., P. Belser, M. Oelz, and S. Ranjbar. 2013. Minimum wage coverage and compliance in developing countries. *International Labour Review* 152(3-4): 381–410.
- Robinson, J. (1969). *The Economics of Imperfect Competition*, second edition. London: Macmillan.
- Ronconi, L., and R. Zarazaga. (2015). Labor Exclusion and the Erosion of Citizenship Responsibilities. *World Development*, 74: 453–61.
- Rossi, F. (2017). *The Poor's Struggle for Political Incorporation: The Piquetero Movement in Argentina*. Cambridge Studies in Contentious Politics Series. New York: Cambridge University Press.
- Rueda, D. (2005). Insider-Outsider Politics in Industrialized Democracies: The Challenge to Social Democratic Parties. *American Political Science Review*, 99(1): 61–74.
<https://doi.org/10.1017/S000305540505149X>.
- Rueda, D. (2007). *Social Democracy Inside out: Partisanship and Labor Market Policy in Industrialized Democracies*. Oxford: Oxford University Press.
- Rueda, D., E. Wibbels, and M. Altamirano (2015). 'The Origins Of Dualism'. In P. Beramendi, S. Häusermann, H. Kitschelt, and H. Kriesi (eds), *The Politics of Advanced Capitalism*. Cambridge: Cambridge University Press.
- Saint-Paul, G. (1996). 'Exploring the Political Economy of Labour Market Institutions'. *Economic Policy*, 11(23): 263. <https://doi.org/10.2307/1344706>.
- Saint-Paul, G. (2002). 'The Political Economy of Employment Protection'. *Journal of Political Economy*, 110(3): 672–704. <https://doi.org/10.1086/339744>.
- Schneider, B.R., and S. Karcher (2010) 'Complementarities and continuities in the political economy of labour markets in Latin America'. *Socio-Economic Review*, 8: 623–51.
- Schwander, H. (2019). Labor market dualization and insider–outsider divides: why this new conflict matters. *Political Studies Review*, 17(1): 14–29.
- Shayo, M. (2009). 'A Model of Social Identity with an Application to Political Economy: Nation, Class, and Redistribution'. *American Political Science Review*, 103(02): 147–74.
<https://doi.org/10.1017/S0003055409090194>.
- Stigler, G.J. (1946). 'The Economics of Minimum Wage Legislation'. *American Economic Review*, 36(3): 358–65.
- Svalund, J., A. Saloniemi, and P. Vulkan (2016). 'Attitudes Towards Job Protection Legislation: Comparing Insiders and Outsiders in Finland, Norway and Sweden'. *European Journal of Industrial Relations*, 22(4): 371–90. <https://doi.org/10.1177/0264619615626057>.
- Tsakalotos, E. (2004). 'Market Constraints, Economic Performance and Political Power : Modernizers versus Leftists'. *Socio-Economic Review*, 415–24.
- Venn, D. (2009). 'Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators'. OECD Social, Employment and Migration Working Papers 2009: 1–54. <https://doi.org/10.1787/223334316804>.
- Wehl, N. (2018). 'The (Ir)Relevance of Unemployment for Labour Market Policy Attitudes and Welfare State Attitudes'. *European Journal of Political Research*, 1–22.
<https://doi.org/10.1111/1475-6765.12274>.
- Wibbels, E., and J.S. Ahlquist (2011). 'Development, Trade, and Social Insurance'. *International Studies Quarterly*, 55(1): 125–49. <https://doi.org/10.1111/j.1468-2478.2010.00638.x>.