

The primary goal of this research project is to evaluate short- and medium-term impact of labour and product market regulations on economic activity in the EU countries in the period 1995-2013 with a particular stress put on factors determining its magnitude, persistence and cross-country spill-overs.

At its initial stage, the project involves collecting annual data on labour and product market regulations for those new EU member states that due to lack of relevant data have not been so far included in cross-country empirical analysis. The project will analyse economic and political determinants of the occurrence and scope of labour and product market reforms based on binary outcome panel data models with spatial effects. Then, the project will study the effects of product and labour market regulations for sectors- and firm-level economic outcomes using databases provided by Eurostat and Orbis, respectively. It will also put a particular stress on economic circumstances that determine non-linear effects of the considered regulations on economic activity. Lastly, it will explore whether, why and to what extent changes of labour and product market regulations in the reforming countries generate spill-over effects among countries being involved in global value chains, including their intersectoral linkages.

The principal motivation for a thorough exploration of the effect of product and labour market regulations on economic activity is the fact that although empirical evidence on favourable impact of regulatory reforms for advancing economic growth in the long-term is well documented, their effects in short- to medium-term require further investigation. In depth analysis is especially justified in terms of identification of economic circumstances that may affect a magnitude of the effects of these reforms over time. Moreover, a detailed study on cross-country spatial effects of these reforms is also required. This study aims at filling these gaps in the literature.