

INTER-AMERICAN DEVELOPMENT BANK and CORNELL UNIVERSITY

Conference on

SIZE AND TYPE BASED REGULATIONS

Organized by

Ravi Kanbur, T.H. Lee Professor of World Affairs, Cornell University

And

Santiago Levy, Vice President, Inter-American Development Bank

401 Warren Hall, Cornell University

Ithaca, NY, October 1-2, 2015

Much regulation of enterprises in the world is size dependent. By this is meant that regulations bite, and change, at specified size thresholds defined on variables such as employment, turnover, capital stock, etc. Even when regulation itself is independent of size enforcement regimes and intensities which vary with size can make effective regulation size dependent. In some cases, regulation is also dependent on the type of contracts, as in the case of labor, where a distinction is often made between salaried (or wage) workers, and non-salaried workers (like the self-employed or workers in profit sharing or effort eliciting contracts). The interplay of size and type regulations, together with imperfect enforcement, generates a complex incentive structure for firms and workers.

Such regulation is often discussed and debated in the policy literature. For example, it is held to be responsible for a “missing middle” in the size distribution of firms. Size dependent regulations are argued to be particularly detrimental to enterprise productivity and growth. They are at times also argued to be associated with the presence of large informal sectors. Proposals for reform, such as raising the threshold at which the size dependent regulation bites, or attempting to reduce the asymmetries in the regulation of labor contracts, are put forward and discussed.

There has been a resurgence of interest in size and type dependent regulations in the last few years, with advances in empirical work based on newly available data sets, or application of new techniques to old data sets. Empirical work is needed for a range of countries where the issue is on the policy front burner. At the same time, the theory of size or type dependent regulations, how they impact enterprises and how authorities should optimally design these regulations, needs to be refreshed in light of new empirical findings. Further, the issue of regulation enforcement, and its size and type dependent components, needs to be analyzed theoretically and empirically.

The objective of this conference is to take stock of recent work on the theory and empirics of size and type dependent regulation, and to encourage further work in this area.

Program

Note: Except for sessions V and VII, each paper slot is 30 minutes—20 minutes for presentation and 10 minutes for discussion. For papers with multiple authors, presenting author is identified by asterisk.

Participants arrive in Ithaca on September 30.

October 1

8.15-8.45 Coffee and Pastry

8.45-9.00 **Conference Welcome**
Santiago Levy and Ravi Kanbur

9.00-10.00 **Session I: The Informal Sector**

Chair: Santiago Levy

“Informal Tradables and the Employment Growth of Indian Manufacturing”, by Ejaz Ghani*, William R. Kerr, and Alex Segura

“Informal Sector Misallocation”, by Bernabe Lopez-Martin.

10.00-11.00 **Session II: Contract Labor (A)**

Chair: Victoria Prowse

“Size Dependent Tax incentives and Horizontal Subcontracting in Manufacturing Firms in India: Evidence from Factory and Firm-Level Panel Data” by K.V.Ramaswamy.

“Contract Workers and Firm Productivity in the Indian Manufacturing Sector”, by Vidhya Soundararajan.

11.00-11.30 **Break**

11.30-12.30 **Session III: Enforcement**

Chair: Matias Busso

“Enforcement and the Effective Regulation of Labor”, by Lucas Ronconi

“Indian Labor Regulations and the Cost of Corruption: Evidence from the Firm Size Distribution”, by Amrit Amirapu and Michael Gechter*

12.30-1.30 **Lunch**

- 1.30-2.30 **Session IV: Skill and Size Distribution**
 Chair: Nancy Chau
 “Skills, Income Distribution, and the Size Distribution of Firms”, by Matias Busso*, Andy Neumeyer, Mariano Spector.
 “Size-dependent firm regulations in a many-to-one assignment model: talent misallocation and the return to skill”, by Jesica Torres-Coronado
- 2.30-4.00 **Session V: Bunching and Taxation**
 Chair: Panle Jia Barwick
 “Firm Size Distortions and the Productivity Distribution: Evidence from France” Luis Garicano, Claire Lelarge and John Van Reenen.*
 “Under the Radar: The Effects of Monitoring Firms on Tax Compliance”, by Miguel Almunia and David Lopez (Presented by Ravi Kanbur).
- 4.00-4.30 **Break**
- 4.30-6.00 **Session VI: Labor and Capital Substitution and Financial Frictions**
 Chair: Marianne Bertrand
 “Distributional Effects of Dismantling the Small-Scale Reservation Policy in India”, by Amrit Amirapu*, Michael Gechter and Gabriel Smagghue.
 “Size-dependent Regulation and Factor Income Distribution”, by Gabriel Smagghue
 “Regulation under Financial Frictions: Tradable Permits versus Taxes”, by Wenbiao Cai* and Manish Pandey
- 6.30 pm **Conference Dinner: By Invitation**
- October 2**
- 9.00-9.30 Coffee and Pastry
- 9.30-10.30 **Session VII: Institutions and Missing Middles**
 Chair: Ravi Kanbur
 “History and Empirics of Size-Dependent Institutions”, by Chang-Tai Hsieh
- 10.30-11.00 **Break**

11.00-12.30 **Session VIII: Contract Labor (B)**

Chair: Santiago Levy

“Intensive versus Extensive Labor Supply: Effects of Labor Regulation”, by Ritam Chaurey* and Kunjal Desai.

“Size-dependent policies and labor substitution: Explaining the ‘Missing Gap Puzzle’”, by Carlos Ospino.

“Contract Labor and Firm Growth in India”, by Marianne Bertrand, Chang-Tai Hsieh and Nick Tsivanidis*.

12.30-12.45 **Conference Closing** followed by lunch.