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Labor Market & Access to Justice

ROMAIN ESPINOSA*, CLAUDINE DESRIEUX[†] AND MARC FERRACCI[‡]

Abstract

In 2008, the French government enacted a reform that reduced the number of labor courts by one quarter. This led to significant changes in access to labor courts for many workers and employers who had to travel further to proceed with conflict litigation. We use this reform to evaluate how access to labor courts affects the labor market. Our empirical approach mainly relies on regression-adjusted conditional differences-in-differences estimations. We find that cities that experienced an increase in the distance to their associated labor court suffered from a lower growth rate of job creation (-4 percentage points), job destruction (-4.6 pp) and firm creation (-6.3 pp) between 2007 and 2012 compared to unaffected cities. We find opposite but insignificant effects for cities that experienced a fall in the distance to the labor court. These results emphasize the central role of labor courts for the good functioning of the labor market.

JEL codes: K31, K41.

Keywords: Job creation; job destruction; firm creation; labor courts; judicial reform.

1 Introduction

The rationalization of the court system has become a popular proposal in order to cut public expenditure in European countries. The 2011 Vilnius declaration, issued by the European Network of Councils for the Judiciary, urged European countries to reform their judicial framework and, more specifically, to rationalize and reorganize their court system. As a consequence, many European countries reduced the number of their courts, such as France and Portugal in 2008, Croatia in 2010, Italy in 2011, and Belgium and the Netherlands in 2013. Similar reforms have been implemented or debated in Norway, Sweden and Germany.

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