

Appendix 1: Employment functions with endogenous wage (Two-step System GMM, two-step estimator)

	ALL	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transportation	Finance	Services
<b>First step (Dep.Var: Ln Real Wage)</b>										
Ln Productivity	-0.002	-0.041 **	0.034 ***	0.033	-0.054 ***	0.036 **	0.066 *	0.098 ***	-0.042 ***	0.035 **
Ln Real Wage (lag)	0.285 ***	0.438 ***	0.245 ***	0.108 ***	0.204 ***	0.341 ***	0.081 **	0.296 ***	0.160 ***	0.595 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sargan test, <i>P-value</i>	0.987	0.990	0.992	0.987	0.9885	0.991	0.991	0.992	0.9898	0.9872
(H <sub>0</sub> : overidentifying restrictions are valid)										
Arellano-Bond test										
(H <sub>0</sub> : no autocorrelation)										
AR(1), <i>P-value</i>	0.000	0.000	0.010	0.007	0.000	0.000	0.001	0.000	0.000	0.000
AR(2), <i>P-value</i>	0.9913	0.364	0.388	0.162	0.368	0.094	0.056	0.521	0.857	0.259
<b>Second step (Dep.Var: Ln Employment)</b>										
Ln Real Wage (predicted)	-0.169 ***	-0.153 ***	-1.455 ***	-3.887 ***	2.368 ***	-0.193 *	-1.089 ***	-0.798 ***	3.835 ***	-0.220 ***
Ln Employment (lag)	1.006 ***	0.905 ***	0.53612 ***	0.817 ***	0.152 ***	0.843 ***	0.914 ***	0.807 ***	0.484 ***	1.033 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sargan test, <i>P-value</i>	0.991	0.987	0.989	0.991	0.991	0.988	0.993	0.989	0.988	0.992
(H <sub>0</sub> : overidentifying restrictions are valid)										
Arellano-Bond test										
(H <sub>0</sub> : no autocorrelation)										
AR(1), <i>P-value</i>	0.000	0.145	0.002	0.000	0.000	0.000	0.000	0.000	0.002	0.000
AR(2), <i>P-value</i>	0.560	0.950	0.104	0.455	0.156	0.512	0.201	0.018	0.714	0.281
No. of observations	330	330	330	330	330	330	330	330	330	330
No. of group (provinces/sub-sectors)	33	33	33	33	33	33	33	33	33	33
No. of instruments used	56	56	56	56	56	56	56	56	56	56

Notes: \*\*\*, \*\* and \* indicate 1%, 5% and 10% levels of significance respectively; each regression has a constant term.

Appendix 2: Employment functions with exogenous wage (System GMM, two-step estimator)

	ALL	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transportation	Finance	Services
Ln Real Wage	-0.043 ***	-0.111 ***	-0.023	-0.012	0.362 ***	-0.494 ***	0.134 ***	-0.195 ***	-0.195 ***	-0.034
Ln Employment (lag)	0.999 ***	0.896 ***	0.499 ***	0.879 ***	0.202 ***	0.787 ***	0.919 ***	0.812 ***	0.569 ***	1.052 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sargan test, <i>P-value</i> ( $H_0$ : overidentifying restrictions are valid)	0.989	0.987	0.989	0.990	0.992	0.995	0.988	0.995	0.988	0.989
Arellano-Bond test ( $H_0$ : no autocorrelation)										
AR(1), <i>P-value</i>	0.000	0.156	0.005	0.000	0.000	0.000	0.000	0.001	0.001	0.000
AR(2), <i>P-value</i>	0.485	0.964	0.139	0.385	0.177	0.565	0.193	0.061	0.572	0.322
No. of observations	330	330	330	330	330	330	330	330	330	330
No. of group (provinces)	33	33	33	33	33	33	33	33	33	33
No. of instruments used	56	56	56	56	56	56	56	56	56	56

Notes: \*\*\*, \*\* and \* indicate 1%, 5% and 10% levels of significance respectively; each regression has a constant term.

Appendix 3: Employment functions of manufacturing sector with endogenous wage  
(Two-step System GMM, two-step estimator)

	ALL manufacturing	Large-medium (LM) firms
<b>First step (Dep.Var: Ln Real Wage)</b>		
Ln Productivity	0.033	0.243 ***
Ln Real Wage (lag)	0.108 ***	0.084 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000
Sargan test, <i>P-value</i>	0.987	0.159
(H <sub>0</sub> : overidentifying restrictions are valid)		
Arellano-Bond test (H <sub>0</sub> : no autocorrelation)		
AR(1), <i>P-value</i>	0.007	0.000
AR(2), <i>P-value</i>	0.162	0.444
<b>Second step (Dep.Var: Ln Employment)</b>		
Ln Real Wage (predicted)	-3.887 ***	0.552 ***
Ln Employment (lag)	0.817 ***	0.721 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000
Sargan test, <i>P-value</i>	0.9913	0.191
(H <sub>0</sub> : overidentifying restrictions are valid)		
Arellano-Bond test (H <sub>0</sub> : no autocorrelation)		
AR(1), <i>P-value</i>	0.0001	0.0003
AR(2), <i>P-value</i>	0.455	0.700
No. of observations	330	648
No. of group (provinces/sub-sectors)	33	66
No. of instruments used	56	56

Notes: \*\*\*, \*\* and \* indicate 1%, 5% and 10% levels of significance respectively; each regression has a constant term.

Appendix 4: Employment functions of manufacturing sector with exogenous wage  
(Two-step System GMM, two-step estimator)

	ALL manufacturing	Large-medium (LM) firms
Ln Real Wage	-0.012	0.009 ***
Ln Employment (lag)	0.879 ***	0.716 ***
Wald $\chi^2$ ( <i>P-value</i> )	0.000	0.000
Sargan test, <i>P-value</i>	0.9898	0.210
(H <sub>0</sub> : overidentifying restrictions are valid)		
Arellano-Bond test		
(H <sub>0</sub> : no autocorrelation)		
AR(1), <i>P-value</i>	0.0002	0.035
AR(2), <i>P-value</i>	0.385	0.551
No. of observations	330	648
No. of group (provinces/sub-sectors)	33	66
No. of instruments used	56	56

Notes: \*\*\*, \*\* and \* indicate 1%, 5% and 10% levels of significance respectively; each regression has a constant term.