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## Labor Disputes and Labor Flows

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### Abstract:

About one in four workers challenges her dismissal in front of a labor court in France. Using a data set of individual labor disputes brought to French courts over the years 1996 to 2003, we examine the impact of labor court activity on labor market flows. First, we present a simple theoretical model showing the links between judicial costs and judicial case outcomes. Second, we exploit our model as well as the French institutional setting to generate instruments for these endogenous outcomes. In particular, we use shocks in the supply of lawyers who resettle close to their university of origin. Using these instruments, we show that labor court decisions have a causal effect on labor flows. More trials and more cases won by the workers cause more job destructions. More settlements, higher filing rates, and a larger fraction of workers represented by a lawyer dampen job destructions. Various robustness checks confirm these findings.

**Text:** See [Discussion Paper No. 5677](#)



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