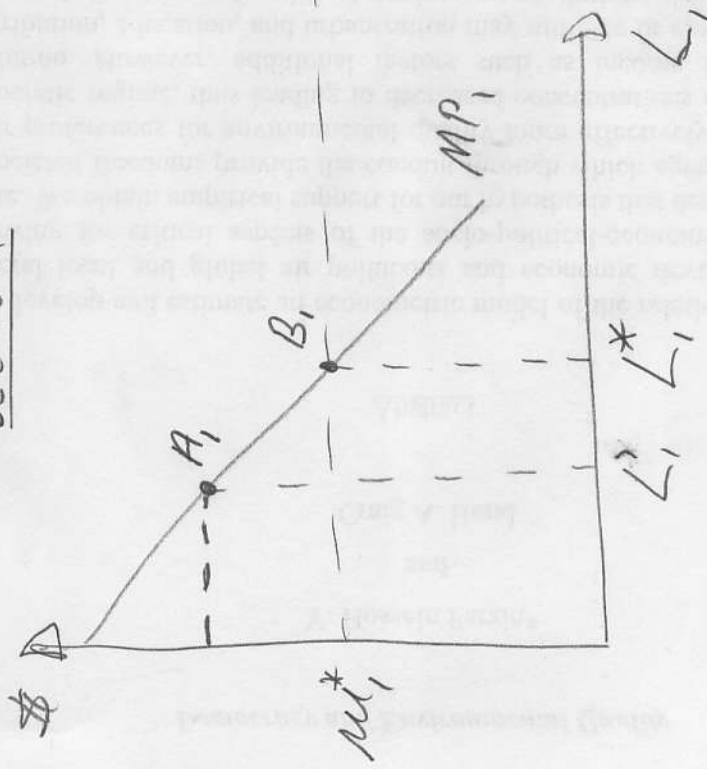
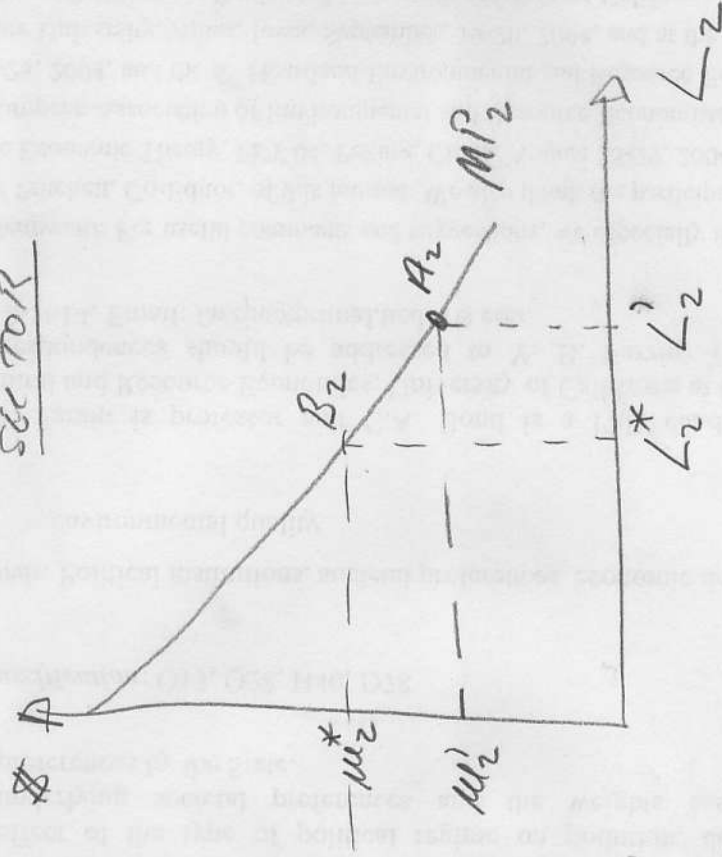


w_2^1 = small firm wage with law.
 w_2^* = " " without law.

LARGE FIRMS SECTOR



SMALL FIRMS SECTOR



MP_1 = Marginal productivity (MP) of large firm workers.

MP_2 = " " " small " "

A_1 & A_2 : labour allocation with law.

B_1 & B_2 : " " without law.