

**Model:** The overall program wrapper is written in Matlab. The Monte Carlo simulations are written in FORTRAN. They are embedded in the Matlab code by calling .mex files that are compiled using an Intel FORTRAN compiler. We include both the .mex files as well as the source .F90 files.

1. Run the file main.m in the folder “Steady State” to generate the model results for the calibration targets in Table 2 and Figure F1.
2. Run the file main.m in the folder “Dynamic” to generate Figures 6 and 7.
3. Run the file counter\_sector\_shares.m in the folder “Steady State” to generate steady state distributions with different sector shares. Next, run counter\_sector\_shares.m in the folder “Dynamic” to create Table 3.
4. Run the file main.m in the folder “Sensitivity” to generate steady state distributions with a different wage share in output. Next, run main.m in the sub-folder “Dynamic” to create Figure E1.
5. Run the file main.m in the folder “Data\_cycle” to generate Figure D1.

**Empirical evidence:** We use STATA (version 18) to clean the datasets and generate the empirical results. In addition, we use Matlab to generate one figure. The STATA files are located in the path “Clean\empirical\code\stata”, and the Matlab file is located in “Clean\empirical\code\matlab”.

1. Run the file “extract.do” to extract the micro data from the MCVL and aggregate statistics from the INE. Micro data from the MCVL is confidential, so we do not provide the raw datasets. However, we provide the generated datasets with aggregate statistics to replicate the results in the next steps.
2. Run the file *Figure\_3.m* to generate Figure 3.
3. Run the file *main.do* to compute the empirical results from the paper and to save the output in “Clean\empirical\output”. In particular, you can generate Figure 1, Figure 2, Table 3, Figure A1, Figure A2, Tables A1 to A3, Figure B1, and Figure C1. The file also provides the code to generate Figure F1, but this is only possible with the confidential micro data generated by step 1.