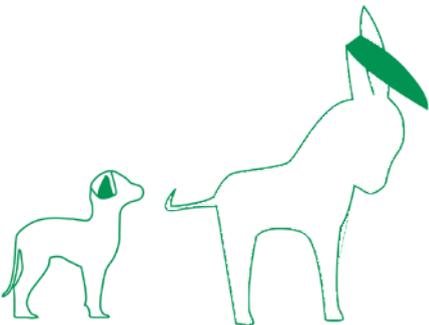


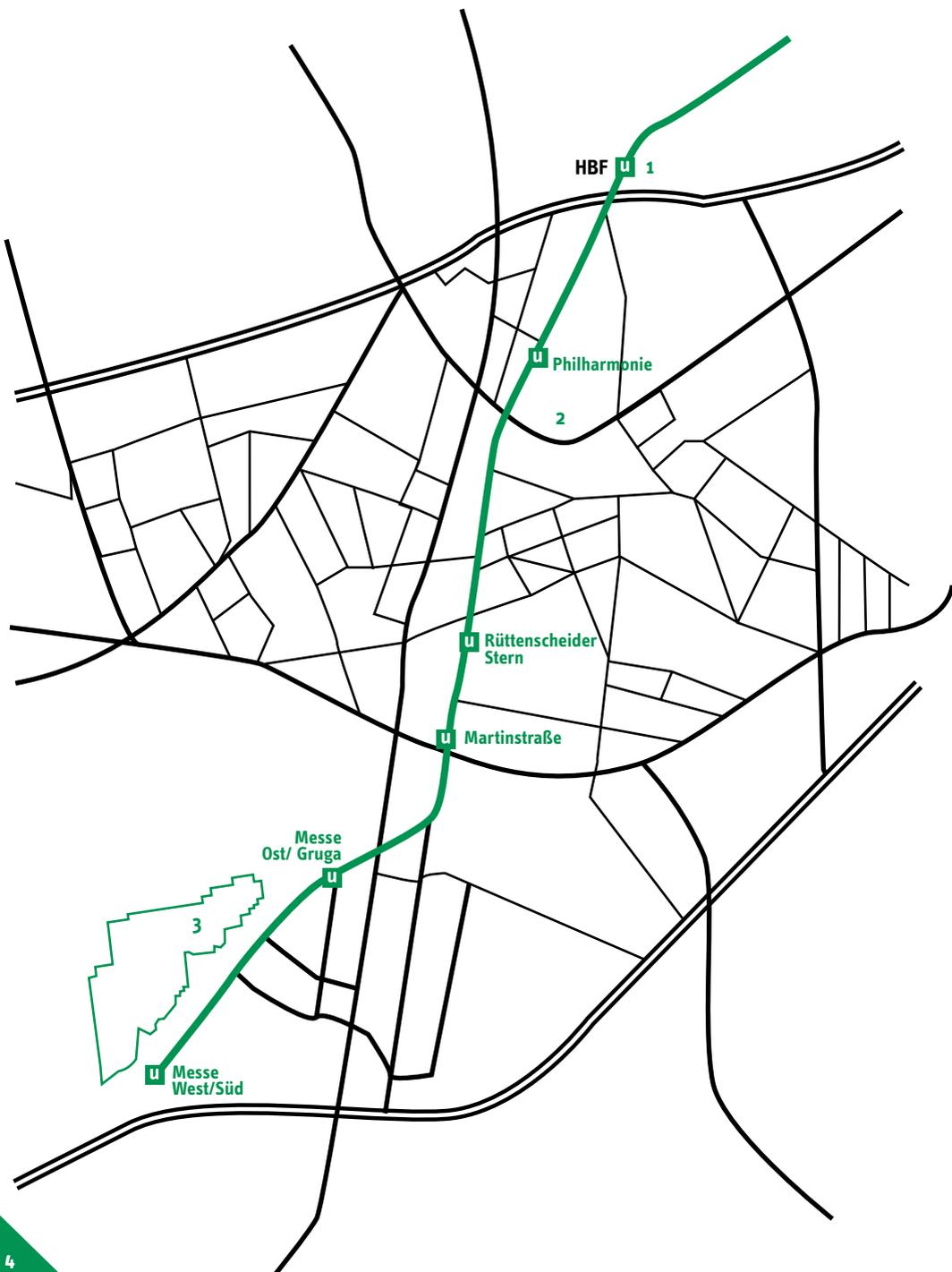
**espe 2010**

XXIV Annual Conference of the European Society for Population Economics  
June 9-12, 2010

dog's ear / Eselsohr



XXIV Annual Conference of the European Society for Population Economics  
June 9-12, 2010



HBF U 1

U Philharmonie

2

U Rüttscheider Stern

U Martinstraße

Messe Ost/ Gruga

U

3

U Messe West/Süd

**city map**

Essen Main Station/ Hauptbahnhof Essen **1**

RWI **2**

Congress Center South **3**

U11 **U**



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**welcome**

Dear Participants:

It is a pleasure for me to welcome you to the XXIV Meeting of the European Society for Population Economics, on behalf of Rheinisch-Westfälisches Institut für Wirtschaftsforschung – RWI – in the European Capital of Culture 2010 Essen.

RWI is a modern center for scientific research and evidence-based policy advice, retaining its strong roots in the region. Organized around the research teams collected in our seven divisions, we have established a clearly delineated research and work profile within the European research community. Thereby we rest the quality of our economic policy advice firmly on putting high scientific quality first, constantly aiming for the right balance of our efforts. On the one hand RWI delivers the required breadth of the expertise in economic policy advice. On the other hand we strive in selected key areas – supported by networking with universities and other research institutes – to achieve or retain market leadership in research, as well.

The research program of RWI follows the Leitmotif: „Individual prosperity and economic policy in times of demographic and societal change.“ Focal points of our research include analysis of the labor market, educational research, population, migration and environmental economics. Particular attention is paid to the diagnosis and forecasting of the German economy and those of leading developed countries, as well as to structural changes within the economy, i.e. in manufacturing, medium-sized businesses and the IT sector. Due to the location of the institute, analysis of the economy of North Rhine-Westphalia is also on the agenda.

I sincerely hope you will have a very productive Meeting in Essen, and also that you will be able to enjoy your visit to the European Capital of Culture 2010.

I would also like to thank the local organization team and all members of the RWI team who were involved in planning and are supporting this conference.

*Christoph M. Schmidt*  
*President of RWI*



This handbook provides details of the programme for the 2010 Annual Conference of the European Society for Population Economics. It also contains other useful information on local arrangements.

This year's programme is an excellent collection of papers that represent the frontiers of research in household economics, labour economics, public economics, health economics, and population economics. As in the last two years, one feature of the programme will be a poster session. This year we are especially pleased to welcome as keynote speakers, Alan Manning (London School of Economics) and Maristella Botticini (Bocconi University). I hope you will enjoy this outstanding scientific programme.

We are delighted to be in Essen, the European Capital of Culture for 2010, and venue for European football. We are also proud to have the conference hosted by the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) whose president Christoph Schmidt is also a former president of ESPE. All the sessions will take place at the purpose-built Essen Congress Center South, which is easily accessible from the city centre and the hotels. The registration and information desk is situated in the foyer. Please register here on arrival at the conference. Staff and student helpers identifiable by a T-shirt with the ESPE 2010 logo will be there to help you with any questions that you may have.

The ESPE 2010 Conference has been a team effort by many individuals. We would like to thank members of the RWI for their support and effort in organising the local arrangements. We are grateful to the RWI and to all our sponsors for their support. Finally we want to thank the Programme Chair, Rudolf Winter Ebmer, and the Programme Committee for their efforts in putting together the outstanding scientific programme, and the secretary of the Society, Sara de La Rica for her contribution.

*Tim Hatton*  
*ESPE president 2010*



**organisers and committees**



## **organisers and committees**

### **Local Committee**

#### **Chairman**

Thomas K. Bauer – *RWI and Ruhr-Universität Bochum*

Christoph M. Schmidt – *RWI and Ruhr-Universität Bochum*

#### **Members**

Sabine Weiler – *RWI*

Joachim Schmidt – *RWI*

Julica Bracht – *RWI*

Daniela Schwindt – *RWI*

Benedict Zinke – *RWI*

Claudia Schmiedchen – *RWI*

### **Program Committee**

#### **Chairman**

Rudolf Winter-Ebmer – *University of Linz, Austria*

#### **Members**

James Albrecht – *Georgetown University*

Michele Belot – *Oxford University*

Rene Böheim – *University of Linz, Austria*

Daniele Checchi – *Università degli Studi di Milano*

Arnaud Chevalier – *Royal Holloway University of London*

Miles Corak – *University of Ottawa*

Gianna Giannelli – *University of Florence*

Albrecht Glitz – *University Pompeu Fabra, Barcelona*

Martin Halla – *University of Linz, Austria*

Helena Holmlund – *London School of Economics*

David Jaeger – *University of Cologne*

Peter Jensen – *Aarhus School of Business*

Astrid Kunze – *Norwegian School of Economics and Business Administration*

Rafael Lalive – *University of Lausanne*

Marco Leonardi – *University of Milan*

Maarten Lindeboom – *VU University Amsterdam*

Oivind Anti Nilsen – *Norwegian School of Economics and Business Administration*

Katerina Nordblom – *University of Gothenborg*

Tuomas Pekkarinen – *Helsinki School of Economics*

Erik Plug – *University of Amsterdam*

Alexia Prskawetz – *Vienna University of Technology*

Patrick Puhani – *University of Hannover*  
Helmut Rainer – *University of St. Andrews*  
David Ribar – *University of North Carolina at Greensboro*  
Regina Riphahn – *University of Erlangen-Nürnberg*  
Knut Roed – *Frisch Center Oslo*  
Uta Schönberg – *University College London*  
Alexandra Spitz-Öner – *Humboldt University Berlin*  
Marianne Sundström – *University of Stockholm*  
Konstantinos Tatsiramos – *IZA Bonn*  
Andrea Weber – *RWI*  
Robert Wright – *Strathclyde University*  
Patricia Apps – *University of Sydney, Australia*  
Thomas Bauer – *RWI*

ESPE 2010 is supported by the German Research Foundation (DFG)  
and the Society of Friends and Sponsors of RWI.





**general information**



## **General Information**

### *Conference Venue*

Congress Center South  
Norbertstr. 2  
45131 Essen, Germany

### *Free Travel Ticket*

Your conference badge includes a free travel ticket for public transport for the whole time of ESPE 2010 (Class D). It is also valid for your way back to Dusseldorf Airport.

### *Registration and Information Desk*

The registration and information desk for the conference will be located in the foyer of the Congress Center and will be staffed during the following hours:

Wednesday, 9 June 18:00 – 20:00

Thursday, 10 June 8:00 – 19:00

Friday, 11 June 8:00 – 18:00

Saturday, 12 June 9:00 – 14:00

### *Smoking Policy*

Smoking is strictly prohibited inside the Congress Center. Smokers are permitted to smoke outside the building. In case of bad weather there are roofed smoking areas.

### *Security Policy*

As the entrances of the Congress Center will be staffed with security personnel during the conference please carry your ESPE badge with you at all times, so that you can be easily identified as participant of the conference. If you have lost your badge please contact the registration and information desk or a member of staff.

### *Medical Assistance*

If you need medical assistance just contact the registration and information desk or a member of staff. Staff members wear ESPE-shirts so that they can be easily recognized.

### *Lost Property*

Please report any lost or found property to the registration and information desk.

### *Computer and Internet Access*

Free wireless internet access will be available throughout the conference building, the name of the wireless network is "espe2010". In addition, computer facilities with access to internet are available for conference delegates in the basement of the conference venue.



social events



## Social Events

All social events are included in your registration fee.

### *Tickets*

Tickets for the Conference Dinner and the Reception at Folkwang Museum will be issued at registration. Please ensure to bring your tickets to both events to gain entry.

### *Welcome Reception*

#### *Wednesday, 9 June*

Location: Congress Center South, Foyer

Time: 19:00-21:00

Drinks and snacks will be served.

### *Visit of Folkwang Museum and Reception at Gastronomía Officina*

#### *Thursday, 10 June*

Location: Folkwang Museum, Museumsplatz 1, 45128 Essen

Time: 19:00 – 20:00

Location: Gastronomía Officina, Bredeneyer Straße 142A, 45133 Essen

Time: 19:00-23:00

How to get there: By shuttle bus: There will be a shuttle bus service from the entrance of Congress Center South to Folkwang Museum at 18:45. After the visit at the museum there will be another shuttle bus service from Folkwang Museum to Gastronomía Officina. There will also be a shuttle bus service from the entrance of Congress Center South to Gastronomía Officina at 18:45 for ESPE participants who are not interested in visiting the Folkwang Museum.

By public transport: From the conference venue ( Messe West-Süd/Gruga) take underground line 11 to Rüttenscheider Stern (which is only three stops) . From the city center take tram 101 or 107 to Rüttenscheider Stern. From there, follow the signs to Folkwang Museum (walking distance 5 – 7 minutes).

### *About Folkwang Museum*

The Folkwang Museum is one of Germany's best-known art museums with an excellent collection of 19th and 20th century German and French classical modern paintings and sculpture, post-1945 art and photography. Works on display include paintings by Cézanne, Gauguin, van Gogh, Manet and Renoir, the German Romantics (C.D. Friedrich, Canus) and the Blaue Reiter group. In January 2010 Folkwang Museum opened its new building, designed by the renowned architect David Chipperfield. Its special exhibition "The most beautiful museum in the world - Museum Folkwang until 1933" aims at reconstructing, for the first time, the Museum Folkwang's original collection. There will be guided tours for ESPE participants during our visit at the museum (in English and German). More information at [www.museum-folkwang.de/en/museum-folkwang.html](http://www.museum-folkwang.de/en/museum-folkwang.html) and at [www.dasschoenstemuseumderwelt.de/en/exhibition/introduction.html](http://www.dasschoenstemuseumderwelt.de/en/exhibition/introduction.html).

### ***Conference Dinner at Stadtgarten Steele***

***Friday, 11 June***

Location: Stadtgarten Steele, Am Stadtgarten 1, 45276 Essen

Time: 18:30 – 23:30

How to get there: There will be a shuttle bus service from the entrance of Congress Center South to Stadtgarten Steele at 18:00. There will also be a shuttle service back after the Conference Dinner to either the conference venue or the city center. If you want to get to Stadtgarten Steele by public transport, take underground line 11 to Berliner Platz. Then, take tram 109 to Steele. Get off at Stadtgarten". Turn left onto Steeler Straße. Follow Steeler Straße for about 70m, then turn right onto Am Stadtgarten. Follow this street for about 400m. Turn right again and follow the sign Stadtgarten Steele.

BBQ, no special dress code is needed. There will be an opportunity to watch the FIFA World Cup.

### ***About Stadtgarten Steele***

Constructed around 1900, Stadtgarten Steele belonged to the city of Essen and was a popular destination for day trippers in the 1930s. It survived both World Wars. Today it is used as venue for public and private events.

### ***On Coal and Colliers – Guided tour of the Zollverein World Heritage Site***

Address: Zeche Zollverein, Gelsenkirchener Straße 181, 45309 Essen

Time: June 10, 15:00

Departure: 14:00 at the information desk in the foyer of Congress Center South

Costs: 11 Euro per person

Duration: 2 hours

This tour, specially booked for conference delegates, will follow the path of coal amongst gigantic machines on the Zollverein Museum Trail and inform about the impressive architecture both past and present.

Please note, that the Guided Tour of Zeche Zollverein is not part of the official conference program and is therefore not included in the conference fee. The fee of 11 Euro may be paid in cash upon registration at the conference.





**local information**



## Local Information

### *Welcome to Essen – the European Capital of Culture 2010*

A population of 580,000 makes Essen the 7th largest city in Germany. A former center of the coal and steel industry, Essen has transformed itself over the years to a foremost service-oriented, cultural diverse city. Eight of the 100 largest companies in Germany have their headquarters here. High standards for learning and education are set with the University Duisburg-Essen and the RWI as the “think-tanks” in the area.

Essen has been chosen as the European Cultural Capital 2010 by the European Union representing the Ruhr metropolitan area. The Ruhr area is the third biggest urban region in Europe. With 5.3 million people from 140 nations it is also one of the most densely populated regions in Europe.

### *Getting to Essen*

Essen is easily accessible by plane, train or car from Germany and abroad.

#### *By Air*

The Rhine-Ruhr region is home to many airports, which have regular trains going to Essen. For those flying into Dusseldorf Airport, which is the nearest airport to the conference venue, there is a train service from Dusseldorf Airport Station to Essen. Trains run about every 10-20 minutes (regional express trains RE1, 6 and 11). The average journey time is 30 minutes and the current fare is 9.20 € one way (zone C-ticket). For detailed information see the website of Verkehrsverbund Rhein-Ruhr. There is also an Intercity Express Train service (ICE lines 40/45, 10 and 41), which is a bit faster, but more expensive. Alternatively, it takes about 20 minutes to drive from Dusseldorf Airport to the conference venue Messe Essen/Congress Center South by taxi.

Cologne-Bonn Airport and Dortmund Airport are a little further away. The approximate journey time is about 80 minutes from Cologne-Bonn and 70 minutes from Dortmund. Timetables and fares are available at the homepage of Deutsche Bahn.

#### *By Car*

A network of motorways links Essen with the Ruhr metropolitan area, neighbouring countries and Germany's principal cities. For route information see <http://www.falk.de/routenplaner/routenplaner.jsp>.

#### *By Train*

There are frequent rail services from most parts of Germany and some European destinations to Essen Hauptbahnhof (main station). For further details on timetables and fares see <http://www.bahn.de/i/view/DEU/en/index.shtml>.

### *Getting Around Essen*

The city of Essen is well-served by public transport. You can get around by bus, underground train, suburban train and tram. For detailed information see <http://www.vrr.de/en/index.html>.

#### *Taxis*

can be hired at a rank (for example at Essen's main station) or by calling 19410, the standard nationwide telephone number for taxis. To contact Taxi-Zentrale Essen call +49/201-19410. Taxis

available for hire have a light on top displaying the word 'TAXI'. You will be charged for the length of your journey and the time that it takes. The fare is displayed on a meter by the driver's seat.

Please note that your conference badge (name tag) allows you to use public transport in Essen free of charge during the time of the conference (Tuesday, June 9 to Saturday, June 12). As it is a zone D-ticket you can also use it for your way back to the airport.

### **Getting to the Conference Venue**

Underground line 11 runs directly from Essen Hauptbahnhof (main station) to Essen Messe West-Süd/Gruga. From there it is only a short walk to the conference center. The route is well signposted.

The ESPE conference venue is only a short taxi ride from the main station. A taxi rank is located outside the main station exit. A taxi to the conference venue costs around 15 €.

### **Facts And Figures**

#### **Currency**

Germany's currency is the Euro. Foreign currencies and traveller's cheques can be exchanged at banks, bureaux de change, post offices, airports, railway stations, ports and major hotels at the official exchange rates. Credit Cards are widely accepted in most shops, petrol stations, restaurants and hotels, but it is advisable to carry cash as well. The general opening hours of banks are Monday-Friday 08:30-13:00 and 14:00-16:00, Thursday 08:30-13:00 and 14:30-17:30 in main cities. Main branches do not close for lunch.

#### **Dialling codes**

The international dialling code for Germany is +49. The area code for Essen is (0)201.

#### **Electricity**

Germany has a 230 volt electricity supply.

#### **Emergency services**

To contact the police, fire brigade or ambulance service in an emergency, you can dial 110 (police) or 112 (fire brigade) free of charge from any public or private phone. In case of accident, most major hospitals have 24 hour accident and emergency departments.

#### **Pharmacies**

In Germany, only pharmacies have the right to sell pharmaceuticals. Out of opening hours there is an emergency service. All pharmacies display a list (at the door or in their windows) of those pharmacies, which are open at night.

#### **Internet access**

There are internet cafes in Essen, many of which offer reasonably priced access. Free wireless internet access will be available throughout the conference building. In addition, computer facilities with access to internet are available for conference delegates in the basement of the conference venue. The conference wireless network is called "espe2010".

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program



### Wednesday, June 9

- 16:00 – 18:00** *ESPE Council meeting* \_\_\_\_\_  
Room Z
- 18:00 – 20:00** *Registration* \_\_\_\_\_  
Foyer
- 19:00 – 21:00** *Welcome Reception* \_\_\_\_\_  
Foyer

### Thursday, June 10 - First day of the conference

- 8:00 – 9:00** *Registration* \_\_\_\_\_  
Foyer
- 9:00 – 9:30** *Welcome Address* \_\_\_\_\_  
Saal/(Hall) Deutschland
- 9:30 – 10:30** *First Invited Lecture: Alan Manning (London School of Economics)* \_\_\_\_\_  
Saal/(Hall) Deutschland  
**“One Nation under a Groove? Immigration and Identity”**
- 10:30 – 11:00** *Coffee Break* \_\_\_\_\_  
Foyer

### Parallel Sessions A

- 11:00 – 13:00** *A1 – Retirement* \_\_\_\_\_  
Saal Rheinland Chair: Alexia Prskawetz
- A11** Private wealth and planned early retirement: An empirical analysis for the Netherlands 1994-2008  
*Raun van Ooijen, Mauro Mastrogiacomo, Rob Euwals*
- A12** Early Retirement and Financial Incentives: Differences Between High and Low Wage Earners  
*Rob Euwals, Elisabetha Trevisan*
- A13** Retirement choices in Italy: what an option value model tells us  
*Michele Belloni, Rob Alessie*
- A14** Optimal choice of health and retirement in a life cycle model  
*Michael Kuhn, Stephan Wrzaczek, Gustav Feichtinger, Alexia Prskawetz*

**11:00 – 13:00** **A2 – Income Pooling & Joint Taxation**

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Konferenzraum L // Chair: Michael Gerfin

- A21** Income Pooling by Couples as Compensation for Work in Household Production  
*Jens Bonke, Shoshana Grossbard, Catalina Amuedo-Dorantes*
- A22** Reducing the excess burden of subsidizing the stork: joint taxation, individual taxation, and family tax splitting  
*Volker Meier, Matthias Wrede*
- A23** The perception of the income tax: Evidence from Germany  
*Denis Beninger*
- A24** Estimating the economies of scale of living together and the sharing rule in a collective household model  
*Michael Gerfin, Aline Bütikofer*

**11:00 – 13:00** **A3 – Wage Growth**

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Konferenzraum M // Chair: Michele Battisti

- A31** Job changes, wage changes, and pension portability  
*Erik Hernæs, John Piggott, Ola Lotherington Vestad, Tao Zhang*
- A32** Worker and Firm Heterogeneity in Wage Growth  
*Kenneth Lykke Sørensen, Rune Majlund Vejlin*
- A33** Counterfactual decomposition of changes in wage distributions via quantile regressions with endogenous covariates  
*Elena Martinez-Sanchis, Juan Mora, Ilker Kandemir*
- A34** Wage Growth and Returns to Tenure in Italy  
*Michele Battisti*

**11:00 – 13:00** **A4 – Job Displacement & Unemployment**

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Konferenzraum N // Chair: Stefan Bender

- A41** The Effects of Job Displacement on the Onset and Progression of Diabetes  
*Annette Bergemann, Erik Gronqvist, Soffia Gudbjornsdottir*
- A42** Great Expectations: Past Wages and Unemployment Durations  
*Rudolf Winter-Ebmer, René Böheim, Tom Horvath*
- A43** Employed and unemployed job seekers: Are they substitutes?  
*Simonetta Longhi, Mark Taylor*
- A44** The long-term impact of job displacement in Germany during the 1982 recession on earnings, income, and employment  
*Johannes F. Schmieder, Till von Wachter, Stefan Bender*

**11:00 – 13:00** **A5 – Fertility & Child Care**

*Konferenzraum R // Chair: Regina T. Riphahn*

- A51** Pensions and Fertility: Back to the Roots The Introduction of Bismarck's Pension Scheme and the European Fertility Decline  
*Robert Fenge, Beatrice Scheubel*
- A52** Determinants of efficiency in child care provision  
*Anna Monten, Christian Thater*
- A53** Social Security, Child Support and Fertility  
*Mikko Puhakka, Matti Viren*
- A54** The Employment of Young Mothers after Birth – Recent Developments and their Determinants in East and West Germany  
*Barbara Hanel, Regina T. Riphahn*

**11:00 – 13:00** **A6 – Welfare Measurement**

*Konferenzraum U // Chair: Björn Gustafsson*

- A61** Population Trends and Household Welfare in Australia: A Stochastic Dominance Approach to Analysis  
*Rebecca Valenzuela, Hooi-Hooi Lean*
- A62** Back to GDP: What is the Value-Added of Potential New Components of Welfare Measurement?  
*Christoph Schmidt, Sonja Kassenboehmer*
- A63** The consequences of own and spousal disability on labor market outcomes and subjective well-being: Evidence from Germany  
*Nils Braakmann*
- A64** If Seebohm Rowntree had Studied Sweden – How Poverty Changed in the City of Göteborg from 1925 to 2003  
*Bjorn Gustafsson, Birgitta Jansson*

**11:00 – 13:00** **A7 – Education**

*Saal Deutschland // Chair: Arnaud Chevalier*

- A71** Human Capital vs. Signaling: The German Reunification as a Natural Experiment  
*Ulf Rinne, Zhong Zhao*
- A72** The Signaling Value of Central School Exams  
*Guido Schwerdt, Ludger Woessmann*
- A73** Compulsory Schooling Laws and Public Examination Reforms: Labour and Non-Labour Market Outcomes  
*Jonathan James*

- A74** "Piloting the nation: What do we learn from pilot interventions?"  
*Arnaud Chevalier, Vincent O' Sullivan*

**11:00 – 13:00** **A8 – Migration & Education**

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*Konferenzraum S // Chair: Thomas K. Bauer*

- A81** Children's Schooling and Parental Migration: Empirical Evidence on the "Left Behind" Generation in Albania  
*Gianna Claudia Giannelli, Lucia Mangiavacchi*
- A82** Why do so Many Children of Immigrants (and their Children) Attend University? Some Evidence for Canada  
*Richard Mueller, Ross Finnie*
- A83** Labour Market Assimilation and Over-Education: The Case of Immigrant Workers in Italy  
*Carlo Dell'Aringa, Laura Pagani*
- A84** Transferability of Human Capital and Immigrant Assimilation: An Analysis for Germany  
*Thomas K. Bauer*

**11:00 – 13:00** **A9 – Family Interactions & Health**

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*Konferenzraum T // Chair: Astrid Würtz Rasmussen*

- A91** Why care? Social norms and the supply of unpaid care.  
*Marina Della Giusta, Nigar Hashimzade, Sarah Jewell*
- A92** All in the Family: Does Family Smoking Cause Youth Initiation?  
*Laura Fumagalli, Dean Lillard*
- A93** Social Interactions at the Workplace: Exploring Sickness Absence Behavior  
*Kjell Vaage, Karsten Rieck, Tor Helge Holmås*
- A94** The Importance of the Distance to a Non-Residential Parent - An analysis of Children's Health, Behavior, and Educational Outcomes  
*Astrid Würtz Rasmussen, Leslie S. Stratton*

**13:00 – 14:00** **Lunch**

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*Foyer*

**Parallel Sessions B**

**14:00 – 16:00** **B1 – Trade Unions & Minimum Wages**

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*Konferenzraum U // Chair: Markus Pannenberg*

- B11** Determinants of Trade Union Membership in Great Britain During 1991-2003  
*Georgios Marios Chrysanthou*

- B12** Minimum Wage and Staying-on Rates in Education for Teenagers in the UK  
*Augustin de Coulon, Elena Meschi, Jonathan Wadsworth*
- B13** Product market competition and the minimum wage  
*Ronald Bachmann, Thomas K. Bauer, Hanna Kroeger*
- B14** Trade Union Membership and Dismissals  
*Markus Pannenberg, Laszlo Goerke*

**14:00 – 16:00** **B2 – Pension Systems**

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Konferenzraum T // Chair: Manuel Kallweit

- B21** The Third Pillar in Europe: Institutional Factors and Individual Decisions  
*Julia Le Blanc*
- B22** Economy wide risk diversification in a three-pillar pension system  
*Cai Cai Du, Joan Muysken, Olaf Sleijpen*
- B23** Welfare, inequality and financial consequences of a multi-pillar pension system. A reform in Peru  
*Javier Olivera*
- B24** Pension reform with variable retirement age - A simulation analysis for Germany  
*Hans Fehr, Manuel Kallweit, Fabian Kindermann*

**14:00 – 16:00** **B3 – Parents and Education**

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Konferenzraum S // Chair: Ross Finnie

- B31** The Influence of Parents and Peers on Pupils: A Randomized Experiment  
*Francesco Avvisati, Marc Gurgand, Nina Guyon, Eric Maurin*
- B32** Inequality in pupils' educational attainment: How much do family and neighbourhood matter?  
*Cheti Nicoletti, Birgitta Rabe*
- B33** Does parental time allocation affect children academic performance?  
*Sara de la Rica, Ainara González de San Román*
- B34** Family Background, Cultural Capital and Access to Higher Education in Canada  
*Ross Finnie, Richard Mueller, Stephen Childs*

**14:00 – 16:00** **B4 – Wage Differentials**

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Konferenzraum R // Chair: Sara De la Rica

- B41** Distributional Changes in the Gender Wage Gap, 1994-2007  
*Mathias Sinning, Sonja Kassenboehmer*

- B42** Gender Differences in Careers  
*Sami Napari, Antti Kauhanen*
- B43** Educational Mismatch: Are High-Skilled Immigrants Really Working at High-Skilled Jobs and the Price They Pay If They Aren't?  
*Barry Chiswick, Paul Miller*
- B44** Performance Pay and the Gender Wage Gap in Spain  
*Sara De la Rica, Juan José Dolado, Raquel Vegas*

**14:00 – 16:00** **B5 – Incentive Effects of Social Security Schemes**

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*Konferenzraum N // Chair: John Haisken-DeNew*

- B51** Incentive Effects of Unemployment Insurance Savings Accounts: Evidence from Chile  
*Gonzalo Reyes, Milan Vodopivec, Jan van Ours*
- B52** The effects of expanding the generosity of the statutory sickness insurance system  
*Nicolas Ziebarth, Martin Karlsson*
- B53** Empirical Analysis of Unemployment Insurance Take-up: the Importance of Sampling Scheme and Censoring  
*Sylvie Blasco, François Fontaine, David Margolis*
- B54** Social Jealousy and Stigma: Negative Externalities of Social Assistance Payments in Germany  
*John Haisken-DeNew, Sonja Kassenboehmer*

**14:00 – 16:00** **B6 – Fertility & Labor Market**

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*Konferenzraum M // Chair: Astrid Kunze*

- B61** Age effects on employment after first birth - A timing of events approach  
*Katrin Sommerfeld, Bernd Fitzenberger, Susanne Steffes*
- B62** Modeling the Italian female labour market participation with infertility shocks  
*Concetta Rondinelli, Roberta Zizza*
- B63** The importance of economic development related to fertility in OECD countries.  
*Angela Luci, Olivier Thévenon*
- B64** Are all the good men fathers? Wage dynamics around childbirth  
*Astrid Kunze*

**14:00 – 16:00** *B7 – Social Networks*

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*Konferenzraum L // Chair: Konstantinos Tatsiramos*

- B71** Social Networks, Job Search Methods and Reservation Wages: Evidence for Germany  
*Marco Caliendo, Ricarda Schmidl, Arne Uhlendorff*
- B72** Does the Ethnic Composition of Co-Workers Affect Wages?  
*René Böheim, Karin Mayr*
- B73** Referral-based Job Search Networks  
*Albrecht Glitz, Christian Dustmann, Uta Schönberg*
- B74** Friends' Networks and Transitions into Employment  
*Lorenzo Cappellari, Konstantinos Tatsiramos*

**14:00 – 16:00** *B8 – School Choice*

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*Saal Rheinland // Chair: Stefan Wolter*

- B81** Do guns displace books? The impact of compulsory military service on the demand for higher education  
*Thomas Bauer, Stefan Bender, Alfredo Paloyo, Christoph Schmidt*
- B82** The Long-term Effects of Higher Track School Attendance  
*Christian Dustmann, Patrick Puhani, Uta Schönberg*
- B83** The effect of accountability policies in primary education in Amsterdam  
*Dinand Webbink, Victoria Chorny*
- B84** Too far to go? Does distance determine study choices?  
*Stefan Wolter, Stefan Denzler*

**14:00 – 16:00** *B9 – Return Migration*

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*Saal Deutschland // Chair: Peter Huber*

- B91** Does Granting Citizenship to Immigrant Children Affect Family Return Migration  
*Christoph Sajons*
- B92** Circular Migration or Permanent Return: What Determines Different Forms of Migration?  
*Florin Vadean, Matloob Piracha*
- B93** Return Migration and Occupational Choice  
*Matloob Piracha, Florin Vadean*
- B94** Are Commuters in the EU Better Educated than Non-Commuters but Worse than Migrants?  
*Peter Huber*

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**16:00 – 16:30** **Coffee Break**

Foyer

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**Parallel Sessions C**

**16:30 – 18:30** **C1 – Development**

Konferenzraum U // Chair: Thomas Barre

- C11** Conflict, economic shock and child labour in Palestine  
*Tushar Kanti Nandi, Michele Di Maio*
- C12** Impact of Industrialization on Relative Female Survival: Evidence from Trade Policies  
*Tanika Chakraborty*
- C13** Another Inconvenient Truth: Climate change and migration in sub-Saharan Africa  
*Luca Marchiori, Jean-Francois Maystadt, Ingmar Schumacher*
- C14** Overemployment, Underemployment and the opportunity cost of time: Building policy agendas for developing economies  
*Thomas Barre*

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**16:30 – 18:30** **C2 – Socio-Economic Determinants of Health**

Konferenzraum S // Chair: Steven Stillman

- C21** Broke, ill, and obese: The causal effect of household debts on health  
*Matthias Keese, Hendrik Schmitz*
- C22** The effect of self-assessed job security on the demand for medical rehab  
*Boris Augurzky, Arndt Reichert, Harald Tauchmann*
- C23** The causal effect of income on health: Investigating a policy reform in Austria  
*Mario Schnalzenberger*
- C24** Natural Experiment Evidence on the Effect of Migration on Blood Pressure and Hypertension  
*John Gibson, David McKenzie, Steven Stillman, Halahingano Rohorua*

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**16:30 – 18:30** **C3 – Household & Family Structure**

Konferenzraum R // Chair: Helmut Rainer

- C31** Unilateral Divorce vs. Child Custody and Child Support in the US.  
*Rafael González-Val, Miriam Marcén*
- C32** Determinants of Maternity Leave Duration in Australia: Evidence from the HILDA Survey  
*Aydogan Ulker, Cahit Guven*

- C33** Human Capital Diversification within the Household. Findings from Rural Tanzania.  
*Helene Bie Lilleør*
- C34** Unintended Consequences of Welfare Reform: The Case of Divorced Parents  
*Marco Francesconi, Helmut Rainer, Wilbert van der Klaauw*

**16:30 – 18:30** **C4 – Intergenerational Transmission of Education**

*Konferenzraum N // Chair: Pedro Telhado Pereira*

- C41** Does Parents' Education Matter for Children's Education? Evidence from Compulsory Schooling Reforms in Germany  
*Marc Piopiunik*
- C42** Outcomes for children of unknown fathers  
*Anders Björklund, Karin Hederos Eriksson, Marianne Sundström*
- C43** Unequal Entry to Motherhood and Unequal Child Cognitive and Behavioural Outcomes: Evidence from the UK Millennium Cohort  
*Denise Hawkes, Heather Joshi*
- C44** Low educational attainment in Portugal – intergenerational transmission of a big problem.  
*Pedro Telhado Pereira*

**16:30 – 18:30** **C5 – Measuring Inequality & Segregation**

*Konferenzraum T // Chair: Aedin Doris*

- C51** Polarization and Rising Wage Inequality - Comparing the U.S. and Germany  
*Dirk Antonczyk, Thomas DeLeire, Bernd Fitzenberger*
- C52** Using Social Security Data to Estimate Earnings Inequality  
*Stéphane Bonhomme, Laura Hospido*
- C53** Measuring segregation when units are small: a parametric – yet useful – approach  
*Roland Rathelot*
- C54** Identification Problems in GMM Estimation of the Covariance Structure of Earnings  
*Donal O'Neill, Olive Sweetman, Aedin Doris*

**16:30 – 18:30** **C6 – Labor Mobility**

*Konferenzraum M // Chair: Thomas K. Bauer*

- C61** Effects of Job Mobility on the Unemployment Risk  
*Arjan Heyma, Jurriaan Prins*
- C62** Demand shocks or mismatch: what's behind labour mobility?  
*Priscila Ferreira*

**C63** Does the design of the Unemployment Insurance System increase labor market rotation in Spain?

*Yolanda Rebollo*

**C64** Labor Market Entry Conditions, Wages and Job Mobility

*Thomas K. Bauer, Ronald Bachmann, Peggy David*

**16:30 – 18:30** **C7 – Well-being & Happiness**

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Konferenzraum L // Chair: *Anne Gielen*

**C71** Shocks in Retirement Expectations and Subjective Well-being: Evidence from a Natural Experiment

*Raymond Montizaan, Maarten Vendrik*

**C72** Are the faithful happier? Happiness in Israel, Effects of Religion, Origin, and War

*Bernard M.S. Van Praag, Dmitri Romanov, Ada Ferrer-i-Carbonell*

**C73** The Effect of Subsidized Employment on Happiness: Evidence from Germany

*Benjamin Crost*

**C74** Unhappiness and job finding rates

*Anne Gielen, Jan Van Ours*

**16:30 – 18:30** **C8 – Pre-school Education**

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Saal Rheinland // Chair: *Martin Schlotter*

**C81** Day-Care Attendance And Child Development: In How Far Does The Quality Matter?

*Robert Baumüller, Mette Gørtz, Astrid Würtz Rasmussen*

**C82** How Does Early Child Care affect Child Development? Learning from the Children of German Unification

*Christina Felfe, Rafael Lalive*

**C83** Child Care Subsidies and Child Well-Being: An Instrumental Variables Approach

*Chris Herbst, Erdal Tekin*

**C84** Age at Preschool Entrance and Noncognitive Skills before School - An Instrumental Variable Approach

*Martin Schlotter*

**16:30 – 18:30** **C9 – Migration Flows**

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Saal Deutschland // Chair: *Govert Bijwaard*

**C91** Migration and Networks: does education matter more than gender?

*Michel Beine, Sara Salomone*

- C92** Return migration and entrepreneurship in rural China: The case of Wuwei county  
*Hui Xu, Sylvie Démurger*
- C93** Migration After the 1997 Indonesian Crisis: Did Economic Losers Move?  
*Abla Safir, Kathleen Beegle*
- C94** Labour Market Status and Migration Dynamics  
*Govert Bijwaard*

**19:30 Visit of Folkwang Museum/Reception at Gastronomica Officina**

**Friday, June 11 - Second day of the conference**

**8:30 – 9:00 Registration**

Foyer

**Parallel Sessions D**

**9:00 – 11:00 D1 – Health Policy**

*Saal Rheinland // Chair: Tobias Klein*

- D11** Food Prices and Overweight Patterns in Italy  
*Luca Pieroni, Donatella Lanari, Luca Salmasi*
- D12** Is Posner right? An empirical test of the Posner argument for transferring health spending from old women to old men  
*Christoph Wunder, Johannes Schwarze*
- D13** Average and distributional effects of the American Folic Acid Fortification: an evaluation in a quasi-experimental framework  
*Elena Fumagalli*
- D14** The effect of private health insurance on medical care utilization and self-assessed health in Germany  
*Tobias Klein, Patrick Hullegie*

**9:00 – 11:00 D2 – Income Distribution**

*Konferenzraum L // Chair: Panos Tsakoglou*

- D21** Size Matters: The Impact of Changes in Household Structure on Income Distribution in Germany  
*Andreas Peichl, Nico Pestel, Hilmar Schneider*
- D22** Public-Private pay differentials in Vietnam  
*Clement Imbert*
- D23** The public sector pay gap in Italy  
*Domenico Depalo, Raffaella Giordano*

**D24** Distributional effects of non-cash incomes in seven European countries  
*Panos Tsakoglou*

**9:00 – 11:00** **D3 – Discrimination**

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*Konferenzraum M // Chair: Erik Plug*

**D31** Race and Income Distribution: Evidence from the US, Brazil and South Africa  
*Carlos Gradín*

**D32** “They all look the same to me” Cognitive Biases in Cross-Race Re-identification and Discrimination  
*Michele Belot*

**D33** Intra-Firm Wage Differentials between German and Non-German Employees  
*Miriam Beblo, Clemens Ohlert, Elke Wolf*

**D34** Sexual Prejudices, Discrimination and Segregation  
*Erik Plug, Dinand Webbink, Nick Martin*

**9:00 – 11:00** **D4 – Labor Supply**

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*Konferenzraum N // Chair: Andrea Weber*

**D41** The Employment Effect of Increasing Disability Benefits: A Regression Discontinuity Approach  
*Judit Vall Castello, Olivier Marie*

**D42** British Tax Credit Reform: Labour Market Outcomes and Beyond  
*Paul Fisher*

**D43** The Effect of Neighborhood Unemployment on Individual Employment Probability in Germany  
*Thomas K. Bauer, Michael Fertig, Matthias Vorell*

**D44** Intertemporal Substitution in Labor Force Participation: Evidence from Policy Discontinuities  
*Andrea Weber, Dayanand Manoli*

**9:00 – 11:00** **D5 – Fertility**

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*Konferenzraum R // Chair: Sonia Bhalotra*

**D51** The Impact of Teenage Motherhood on the Education and Fertility Decisions of Their Children: Evidence for Europe  
*Maria Navarro Paniagua, Ian Walker*

**D52** Peer Effects in Fertility - The Effect of Children in the Neighborhood  
*Marie Louise Schultz-Nielsen*

**D53** Compulsory schooling and fertility in Europe  
*Nicole Schneeweis, Margherita Fort, Rudolf Winter-Ebmer*

**D54** Sex-Selective Abortion in India: Inference from matching trends in conditional sex ratios with trends in availability of ultrasound  
*Sonia Bhalotra, Tom Cochrane*

**9:00 – 11:00** **D6 – Returns to Education**  
*Konferenzraum S // Chair: Anders Stenberg*

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**D61** High and steady or low and rising? Vocational versus general education in life-cycle earnings  
*Frank Cörvers, Hans Heijke, Ben Kriechel, Harald Pfeifer*

**D62** Do Employers Know Their Employees' Education?  
*Francesco Avvisati*

**D63** Nonparametric Bounds on Returns to Schooling: Overcoming Ability and Selection Bias  
*Juergen Meinecke, Martine Mariotti*

**D64** Formal Education for Participants Above 40; Are there Really Positive Returns?  
*Anders Stenberg, Olle Westerlund, Xavier de Luna*

**9:00 – 11:00** **D7 – Impact of Migration**  
*Konferenzraum T // Chair: Mathis Wagner*

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**D71** Immigration and the Diffusion of Technology: The Huguenot Diaspora in Prussia  
*Erik Hornung*

**D72** High Unemployment in Germany: Why do Foreigners Suffer Most?  
*Wido Geis*

**D73** Student Sorting: The Effects of Immigration  
*Lucila Berniell*

**D74** The Heterogeneous Labor Market Effects of Immigration  
*Mathis Wagner*

**9:00 – 11:00** **D8 – Growth**  
*Konferenzraum U // Chair: Holger Strulik*

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**D81** Disease and Development Re-examined: The Effect of Life Expectancy on Economic Growth  
*Joannes Jacobsen*

**D82** Population aging and endogenous economic growth  
*Klaus Prettnner*

**D83** Population, Innovation, Competition and Growth with and without Human Capital

*Alberto Bucci*

**D84** The Physiological Foundations of the Wealth of Nations

*Holger Strulik, Carl-Johan Dalgaard*

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**11:00 – 11:30** **Coffee Break**

Foyer

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**11:30 – 12:30** **Second Invited Lecture: Maristella Botticini (Bocconi University)**

Saal/(Hall) Deutschland

**“Culture, Institutions, and Social Norms in Historical Perspective”**

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**12:30 – 14:00** **Lunch**

Foyer

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**12:30 – 14:00** **Poster session**

Foyer

**P1** Does gender matter for academic promotion? Evidence from a randomized natural experiment

*Natalia Zinovyeva, Manuel Bagues*

**P2** Spillovers of Health Education at School on Parents' Health Lifestyles

*Lucila Berniell, Dolores de la Mata, Nieves Valdés*

**P3** You Can't Be Happier than Your Wife: Happiness Gaps and Divorce

*Cahit Guven, Claudia Senik, Holger Stichnoth*

**P4** Ethnic School Segregation and Second Generation Immigrants' Human Capital

*Martin Nordin*

**P5** Effects of placements in outside home care on children's health and education

*Signe Frederiksen*

**P6** Who has realistic income expectations: students or workers?

*John Jerrim*

**P7** Do Couples Bargain over Fertility? New Evidence Based on Child Preference Data

*Timo Hener*

- P8** The effect of school choice on pupil test scores: Evidence from Dutch reform data  
*Monique De Haan, Edwin Leuven, Hessel Oosterbeek*
- P9** The Relationship between Education and Smoking: Evidence from a Life-Cycle Model  
*Kevin Thom, Steffen Reinhold*
- P10** The consequences of being different - Statistical discrimination and the school-to-work transition  
*Barbara Mueller, Stefan C. Wolter*
- P11** Going the Gambler's Way - The Role of Individual Risk Attitudes in Occupational Choice  
*Ingo Isphording*
- P12** Ethnic Heterogeneity and Inequality in the Spanish Labour Market  
*Catia Nicodemo*
- P13** Influence of Family Background on College Attendance: Evidence from Tuition Policy Changes.  
*Natalia Kyui*
- P14** Birthweight of children born into households enrolled in conditional cash transfer programs: The case of Mexico's PROGRESA-Oportunidades.  
*Artemisa Flores Martinez*
- P15** The welfare use of immigrants and natives in Germany  
*Christoph Wunder, Monika Sander, Regina Riphahn*
- P16** Children's lifestyle and parents' employment  
*Jane Greve, Jens Bonke*
- P17** Thrifty wives and lavish husbands? - Bargaining power and financial decisions in Germany  
*Matthias Keese*
- P18** Immigrants-Natives complementarities in production: evidence from Italy  
*Agnese Romiti*
- P19** Too Much or Too Little Immigration? Evidence From the Non-Tradable Services Sector  
*Viki Nellas, Elisabetta Olivieri*
- P20** Income Shocks and Investments in Human Capital  
*Rita Ginja*
- P21** Fighting Youth Unemployment: The Effects of Active Labor Market Policies  
*Marco Caliendo, Steffen Kuenn, Ricarda Schmid*

- P22** Are employees at risk of layoff mentally more ill? The causal impact of fear of unemployment on psychological health  
*Arndt Reichert, Harald Tauchmann*
- P23** Do tropical typhoons smash community ties? Theory and Evidence from Vietnam  
*Yanos Zylberberg*
- P24** The Implications of Changing Employment Protection: Evaluating the 1999 UK Unfair Dismissal Reform  
*Veronica Toffolutti*
- P25** The Effect of Divorce Laws on Fertility  
*Miriam Marcén, Héctor Bellido*
- P26** The Impact of Immigration Policy on Employers and Shareholders  
*Carl (Shu-Ming) Lin*

**14:00 – 15:00** *Presidential Lecture by Tim Hatton  
(University of Essex and Australian National University)*

Saal/(Hall) Deutschland  
“How Did Europeans Grow so Tall?”

**Parallel Sessions E**

**15:30 – 17:30** *E1 – Health and Socio-Economic Outcomes*

*Konferenzraum L // Chair: David Ribar*

- E11** Prenatal Ramadan Fasting and Academic Outcomes  
*Douglas Almond, Bhashkar Mazumder, Reyn Van Ewijk*
- E12** The causal effect of health on income: quasi-experimental evidence from commuting accidents  
*Martina Zweimüller, Martin Halla*
- E13** Marginal Benefit Incidence of Public Health Spending: Evidence from Indonesian sub-national data  
*Ioana Kruse, Menno Pradhan, Robert Sparrow*
- E14** Applying for and Staying on the Supplemental Nutrition Assistance Program in South Carolina  
*David Ribar, Christopher Swann*

**15:30 – 17:30** *E2 – Intergenerational Mobility*

*Konferenzraum M // Chair: Miles Corak*

- E21** The rise and fall of intergenerational earnings mobility in France over the last half century  
*Arnaud Lefranc*

- E22** Defining Circumstances: Fracs or Ranks, Does it Matter?  
*Arnaud Lefranc, Nicolas Pistolesi, Alain Trannoy*
- E23** Estimates of Intergenerational Elasticities Based on Lifetime Earnings  
*Oivind A Nilsen, Kjell Vaage, Arild Aakvik, Karl Jacobsen*
- E24** Intergenerational earnings mobility and the inheritance of employers  
*Miles Corak, Patrizio Piraino*

**15:30 – 17:30** **E3 – Gender & Careers**

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*Konferenzraum N // Chair: Nina Smith*

- E31** Do Employers Discriminate by Gender? A Field Experiment in Female-Dominated Occupations  
*Alison Booth, Andrew Leigh*
- E32** Can Role Models Enhance Gender Equality on the Labor Market? Evidence from the Post-Unification Migration Experiment  
*Melanie Arntz, Holger Bonin*
- E33** Breaking through the glass ceiling? - Gender differences in promotion patterns into CEO and Vice-director positions in Danish companies  
*Nina Smith, Valdemar Smith, Mette Verner*
- E34** Is the Glass Ceiling Cracking in Denmark? The Gender Pay Gap in Top Corporate Jobs  
*Nina Smith, Valdemar Smith, Mette Verner*

**15:30 – 17:30** **E4 – Training Programs**

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*Konferenzraum R // Chair: Marie Paul*

- E41** Short-Term Training Programs for Immigrants: Do Effects Differ from Natives and Why?  
*Alisher Aldashev, Stephan L. Thomsen, Thomas Walter*
- E42** Do Dropouts Benefit from Training Programs? Korean Evidence Employing Methods for Continuous Treatments  
*Chung Choe, Alfonso Flores-Lagunes, Sang-Jun Lee*
- E43** Why do low-skilled workers invest less in further training?  
*Didier Fouarge, Trudie Schils, Andries De Grip*
- E44** The Heterogeneous Effects of Training Incidence and Duration on Labor Market Transitions  
*Bernd Fitzenberger, Aderonke Osikominu, Marie Paul*

**15:30 – 17:30** *E5 – Marriage & Divorce*

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*Konferenzraum S // Chair: Paul Nystedt*

- E51** Marriage Subsidies and Divorce: An Analysis of Marginal Marriages  
*Wolfgang Frimmel, Martin Halla, Rudolf Winter-Ebmer*
- E52** The effect of same-sex marriage laws on different-sex marriage: Evidence from the Netherlands  
*Mircea Trandafir*
- E53** The Effect of Education on Marital Status and Partner Characteristics: Evidence from the UK  
*Dan Anderberg, Yu Zhu*
- E54** Educational Assortative Mating and Individual Income Development: Results from Longitudinal Register Data in Sweden 1990-2005  
*Martin Dribe, Paul Nystedt*

**15:30 – 17:30** *E6 – Time Allocation*

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*Konferenzraum U // Chair: Julia Bredtmann*

- E61** The Allocation of Time Over Decades: A Cross-Country Analysis  
*Jose Ignacio Gimenez-Nadal, Almudena Sevilla-Sanz*
- E62** The Effect of Property Division Laws on Spouses' Labor Supply: Evidence from Spain  
*Pablo Brassiolo*
- E63** Son Preference, Gender Composition, and Parental Time Allocation: Evidence from Rural China  
*Yi Fan, Junjian Yi, Junsen Zhang*
- E64** The Intra-household Division of Labor: An Empirical Analysis of Spousal Influences on Individual Time Allocation  
*Julia Bredtmann*

**15:30 – 17:30** *E7 – Education*

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*Saal Deutschland // Chair: Marcus Tamm*

- E71** Crown Princes and Benjamins: Birth Order and Educational Attainment in East and West Germany  
*Martina Eschelbach*
- E72** Are We Wasting Our Time At School? Causal Evidence of the Impact of Shortening Secondary School Duration  
*Bettina Buettner, Stephan L. Thomsen*
- E73** Is Grade Repetition a Second Chance?  
*Elodie Alet*

**E74** The more the merrier? The impact of longer high school on performance in college  
*Katja Görlitz, Marcus Tamm*

**15:30 – 17:30** *E8 – Immigration Policy & Politics*

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*Saal Rheinland // Chair: Martin Halla*

**E81** Right-Wing Extremism and the Well-Being of Immigrants  
*Andreas Knabe, Steffen Rätzler, Stephan Thomsen*

**E82** Has regularization programmes of illegal immigrants a magnet-effect? Evidence from Spain  
*Gemma Larramona, Marcos Sanso-Navarro*

**E83** Devolved immigration policy: will it work in Scotland? Evidence from Canada  
*Irene Mosca, Robert Wright*

**E84** Political Implications of Immigration  
*Martin Halla, Alexander Wagner, Josef Zweimüller*

**15:30 – 17:30** *E9 – Special Forms of Employment*

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*Konferenzraum T // Chair: Marco Leonardi*

**E91** Self-Employment, Education, and Employment Protection  
*Florian Baumann, Tobias Brändle*

**E92** The Implications of Cultural Background on Labour Market Choices: the Case of Religion and Entrepreneurship  
*Luca Nunziata, Lorenzo Rocco*

**E93** The third partner in the household: An analysis of children's household work  
*Salman Rizavi, Catherine Sofer*

**E94** Flexible employment, job flows and labour productivity  
*Marco Leonardi, Carlo Dell'Aringa, Lorenzo Cappellari*

**18:00** *Departure from entrance Conference Venue*

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**18:30** *Conference Dinner at Stadtgarten Steele with public viewing Soccer World Cup*

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**Saturday, June 12 - Third day of the conference**

**Parallel Sessions F**

**9:00 – 10:30** *F1 – Wage & Employment Dynamics*

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*Saal Rheinland // Chair: Lorenzo Cappellari*

- F11** The Dynamics of Household Membership and Labour Supply Decisions of Young Adults in Britain: A Panel Data Approach  
*Serkos Manoukian*
- F12** 20 years of German unification: evidence on income convergence and heterogeneity  
*Heiko Peters, Tilman Brück*
- F13** Flexicurity and wage dynamics over the life-cycle  
*Lorenzo Cappellari, Paul Bingley, Niels Westergaard-Nielsen*

**9:00 – 10:30** *F2 – Epidemics & Mortality*

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*Konferenzraum L // Chair: Marike Knoef*

- F21** How do Roads Spread AIDS in Africa? A Critique of the Received Policy Wisdom  
*Elodie Djemai*
- F22** The Effect of Parental Involvement Laws on Youth Suicide  
*Joseph Sabia, Daniel Rees*
- F23** Individual Income and Remaining Life Expectancy at the Statutory Retirement Age of 65 in the Netherlands  
*Adriaan Kalwij, Rob Alessie, Marike Knoef*

**9:00 – 10:30** *F3 – Work Organisation*

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*Konferenzraum M // Chair: Mark Bryan*

- F31** Age-specific production systems and employment duration  
*Bernhard Boockmann, Fries Jan, Göbel Christian*
- F32** Which Personnel Measures are Effective in Increasing Productivity of Older Workers?  
*Christian Göbel, Thomas Zwick*
- F33** Access to Flexible Working and Informal Care  
*Mark Bryan*

**9:00 – 10:30** *F4 – Employment Structure*

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*Konferenzraum N // Chair: Pauline Givord*

- F41** Residential segregation dynamics in an ageing region - the Rhine-Ruhr conurbation as a case study  
*Uwe Neumann*

- F42** Evolution of Instability on the French Labour Market During the Last Thirty Years  
*Romain Aeberhardt, Claire Marbot*
- F43** The Impact of the French Entreprise Zones on Employment, Business Creations and Pre-existing Businesses  
*Roland Rathelot, Patrick Sillard, Pauline Givord*

**9:00 – 10:30** *F5 – Health Policy*

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*Konferenzraum R // Chair: Michael Hummer*

- F51** Does Uninsurance Affect the Health Outcomes of the Insured? Evidence from Heart Attack Patients in California  
*N. Meltem Daysal*
- F52** Public health care, private health investments and their interaction: a normative approach  
*Lars Lønstrup*
- F53** The Economics of Screening  
*Franz Hackl, Martin Halla, Michael Hummer, Gerald Pruckner*

**9:00 – 10:30** *F6 – Migration*

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*Konferenzraum S // Chair: Jane Friesen*

- F61** Reservation Wages of First and Second Generation Migrants  
*Amelie F. Constant, Annabelle Krause, Ulf Rinne, Klaus F. Zimmermann*
- F62** Microeconomic Determinants of Turkish Worker Remittances: Survey Results for Turkish Migrants in France  
*Elif Unan*
- F63** Ethnicity, identity and discrimination among children  
*Jasmina Arifovic, Jane Friesen, Andreas Ludwig, Steven Wright*

**9:00 – 10:30** *F7 – Company Training*

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*Konferenzraum T // Chair: René Fahr*

- F71** Active labor market policy by a profit maximizing firm  
*Ruud Gerards, Joan Muysken, Riccardo Welters*
- F72** Productivity, wages and the returns to firm-providing training: who is grabbing the biggest share?  
*Ana Lopes, Paulino Teixeira*
- F73** Returns to Company Training - Evidence from a New Approach Using Quasi Experimental Data  
*René Fahr, Sabine Simons*

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**10:30 – 11:00** **Coffee Break**  
Foyer

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**11:00 – 11:15** **ESPE Society Meeting**  
Saal/(Hall) Deutschland

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**Parallel Sessions G**

**11:15 – 12:45** **G1 – Active Labor Market Policy**  
*Saal Rheinland // Chair: Katrin Hohmeyer*

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- G11** Long-Term Impact of Active Labour Market Policy: Evidence from a Social Experiment in Denmark  
*Sylvie Blasco, Michael Rosholm*
- G12** Does subsidized employment help redundant workers to get a good quality job? A causal assessment of the Mobility Lists Programme in Italy.  
*Buligescu Bianca, Borghans Lex, Dupuy Arnaud*
- G13** Direct job creation in Germany revisited: Is it effective for welfare recipients and does it matter whether participants receive a wage?  
*Katrin Hohmeyer, Joachim Wolff*

**11:15 – 12:45** **G2 – Compensating Wage Differentials**  
*Konferenzraum L // Chair: Andreas Ammermüller*

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- G21** Piece Rates and Workplace Injury: Does Survey Evidence Support Adam Smith?  
*Keith Bender, Colin Green, John Heywood*
- G22** Shift Work, Compensating Wage Differentials and the Impact on Leisure  
*Juliane Scheffel*
- G23** Wage flexibility in regional labour markets: Evidence from Italy and Germany  
*Andreas Ammermüller, Claudio Lucifora, Federica Origo, Thomas Zwick*

**11:15 – 12:45** **G3 – Consumption**  
*Konferenzraum M // Chair: Charles Grant*

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- G31** The Impact of the 2008 Recession on Intra-Monthly Consumption: Clean Evidence of Time Inconsistency.  
*Francesco Manaresi*
- G32** Consumption Growth and Inequality in a Heterogeneous Agent Model: Theory and Evidence from German Data  
*Runli Xie*
- G33** Shocks and Household Repayment Behaviour in the EU  
*Charles Grant*

**11:15 – 12:45** **G4 – „Criminal“ activities**  
Konferenzraum N // Chair: Thomas Siedler

**G41** Economic Conditions and Youth Crime  
*Yun-Shan Chan*

**G42** Police and Thieves in the Stadium  
*Olivier Marie*

**G43** One Last Puff? Public Smoking Bans and Smoking Behavior  
*Thomas Siedler, Silke Anger, Michael Kvasnicka*

**11:15 – 12:45** **G5 – Firm Organisation**  
Konferenzraum R // Chair: Ben Kriechel

**G51** The Impact of ICT Investments on the Relative Demand for High-, Medium-, and Low-Skilled Workers: Industry versus Country Analysis  
*Dorothee Schneider*

**G52** Does Labour Diversity Affect Firm Performance?  
*Pierpaolo Parrotta, Dario Pozzoli, Sanne Hiller, Mariola Pytlikova*

**G53** On the Reform of a Firm's Hierarchical Workplace  
*Gerard Pfann, Ben Kriechel*

**11:15 – 12:45** **G6 – Search or OLG Models**  
Konferenzraum S // Chair: James Albrecht

**G61** Temporary Layoffs and Incomplete Worker Attachment in Search Equilibrium  
*Anna Chizhova*

**G62** A Dynamic Politico-Economic Model of Intergenerational Contracts  
*Francesco Lancia, Alessia Russo*

**G63** Public Sector Employment in an Equilibrium Search and Matching Model  
*James Albrecht, Susan Vroman*

**11:15 – 12:45** **G7 – Migration**  
Konferenzraum T // Chair: Anna Piil Damm

**G71** Migration Background and School Tracking: Is there a Double Disadvantage for Second-Generation Immigrants?  
*Elke Luedemann, Guido Schwerdt*

**G72** Language Fluency of Immigrants and Ethnic Concentration in Germany  
*Firat Yaman, Alexander Danzer*

**G73** Immigrant Labour Market Outcomes: The Importance of Social Networks  
*Anna Piil Damm*



**abstracts**



## Abstracts oral sessions

A11

### **Private wealth and planned early retirement: An empirical analysis for the Netherlands 1994-2008**

*Raun van Ooijen, Mauro Mastrogiacomo, Rob Euwal*

We study the causal relation between wealth and retirement age. We propose three estimation strategies based on expected retirement age. The outcome variable is observed repeatedly over time. We correct first for the unobserved disutility of work by using panel data techniques. Next, we exploit information on expected wealth accumulation in order to identify the unexpected component in wealth accumulation. Finally, we exploit a quasi natural experiment based on a pension reform that has diminished pension wealth to a specific cohort of employees. In line with the literature we find a small effect of private wealth on planned retirement.

A12

### **Early Retirement and Financial Incentives: Differences Between High and Low Wage Earners**

*Rob Euwals, Elisabetha Trevisan*

This paper investigates the impact of financial incentives on early retirement decisions of Dutch workers in the health sector. Using administrative data from the second largest pension fund in Netherlands we analyze early retirement behaviour of high and low wage earners, and how they react differently to financial incentives. We use two identification strategies. First, by exploiting exogenous variation in Social Security Wealth over birth cohorts and by using several measures of financial incentives, we analyze their effect on the retirement probability of individuals who are eligible to the old generous early retirement scheme. Second, we use a regression discontinuity design by comparing individuals who are eligible and non-eligible to the old generous early retirement scheme on the basis of their birth cohort. The empirical results confirm predictions of the standard life cycle model, and show that low wage earners are more sensitive to financial incentives.

A13

### **Retirement choices in Italy: what an option value model tells us**

*Michele Belloni, Rob Alessie*

Using Italian data this study estimates the option value model in order to quantify the effect of financial incentives on retirement choices. As far as we know, this is the first empirical study which estimates the conditional multiple-years (CMY) model put forward by Stock and Wise (1990). This implies that we have accounted for dynamic self-selection bias. For the subsample of females the CMY model yields plausible estimates of the preference parameters such as the marginal utility of leisure. This last parameter is typically underestimated if one does not take into account the self-selection problem. From our results it becomes clear that dynamic self-selection results in a considerable downward-bias in the estimate of the marginal utility of leisure. We also performed a simulation study to gauge the effects of a dramatic pension reform. It turns out that the underestimation of the marginal utility of leisure translates into a sizable overprediction of the impact of the reform. For males we also obtain plausible estimates. The results for males should be interpreted with caution because we are not able to fully correct for dynamic self-selection bias.

A14

### **Optimal choice of health and retirement in a life cycle model**

*Alexia Prskawetz, Michael Kuhn, Stephan Wrzaczek, Gustav Feichtinger*

Over the last years health and pension systems have come under increasing pressure due to rising life expectancy. There is an intensive debate about the level of health expenditures in particular for higher age groups and about the retirement age. We propose a multi-stage optimal control life-cycle model that focuses on both optimal health expenditure and retirement age and the interplay between them. By investing in health the force of mortality can

be reduced. When the individual retires, wage payments are replaced by pension payment over the remaining lifespan. The pension payment depends on the length of the working period and the discounted average remaining life expectancy. In particular we distinguish between a pay as you go and a fully funded pension system as well as the social optimum. The individual has the possibility to save, where negative values are allowed over intermediate intervals of the life span (at the end of the life horizon we assume a no ponzi condition). Therefore an individual can only spend the amount of money that he/she earns in his life. As interest payment we assume an actuarially fair life insurance with the restriction that it is equal to the average mortality rate. We derive explicit expressions for the time paths of consumption and health expenditures. For the optimal retirement age no explicit expression is available, but only an implicit one. All of them have interesting economic interpretations.

**A21**

### **Income Pooling by Couples as Compensation for Work in Household Production** *Shoshana Grossbard, Jens Bonke, Catalina Amuedo-Dorantes*

We explain why some couples report that they completely pool their incomes while others don't. The theoretical framework links such income pooling to possible compensations for work in household production. This leads to predictions regarding the effect of size of the marriage market on income pooling and to the recognition that variables previously included in analyses of income pooling and household finances may have more complex effects than what past research has postulated. We test our predictions on data from a unique Danish household survey that asked people whether they share all their incomes. We also use register data on income and labor supply.

**A22**

### **Reducing the excess burden of subsidizing the stork: joint taxation, individual taxation, and family tax splitting** *Volker Meier, Matthias Wrede*

Analyzing a homogenous household setting with endogenous fertility and endogenous labor supply, we demonstrate that moving from joint taxation to individual taxation and adapting child benefits so as to keep fertility constant entails a Pareto improvement. The change is associated with an increase in labor supply and consumption and a reduction of the marginal income tax, while the child benefit may move in either direction. Similarly, a move from joint taxation to some scheme of family tax splitting increases labor supply and welfare.

**A23**

### **The perception of the income tax: Evidence from Germany** *Denis Beninger*

The paper explores whether the tax rule defined by the tax law or the perception of the tax system by the single household matters in explaining the household behaviour. In particular, in Germany, married couples have the choice between two systems of income tax collection. In both cases, the perceived marginal tax rate, i.e. the rate which formally applies when the person pays the tax, and the real one, i.e. the one calculated from the tax function, differs systematically. Using the 2004 wave of the German Socio-Economic Panel, we find that (i) the perceived marginal tax rate is a better indicator than the real one when explaining the couples' behaviour, and (ii) there is a high correlation between income pooling and the system of tax collection chosen by the couple.

A24

### **Estimating the economies of scale of living together and the sharing rule in a collective household model**

*Michael Gerfin, Aline Bütikofer*

How large are the economies of scale of living together? And how do partners share their resources? The first question is usually answered by equivalence scales. Traditional estimation and application of equivalence scales assumes equal sharing of income within the household. This paper uses data on financial satisfaction to simultaneously estimate the sharing rule and the economy of scale parameter in a collective household model. The estimates indicate substantial scale economies of living together, especially for couples who have lived together for some time. On average, wives receive almost 50% of household resources, but there is heterogeneity with respect to the wives' contribution to household income and the duration of the relationship.

A31

### **Job changes, wage changes, and pension portability**

*Ola Lotherington Vestad, Erik Hernæs, John Piggott, Tao Zhang*

We propose a measure of changes in individual pension entitlements resulting from a change of jobs, which is termed potential portability gain. This measure is used to study the impact of defined benefit occupational pensions on labour market mobility. We base our analysis on a descriptive overview of worker mobility between the public and the private sectors in Norway, over two time periods, 2001-2003 and 2003-2005. Estimation results indicate that the effect of pensions on the propensity to change jobs is either weak or non-existent. Furthermore, we regress immediate wage changes and subsequent wage growth on the portability gain for job movers, and find no signs that gains or losses in pension entitlements are reflected in the new wage. This leads us to conclude that occupational pensions are of negligible importance for labour market mobility.

A32

### **Worker and Firm Heterogeneity in Wage Growth**

*Kenneth Lykke Sørensen, Rune Majlund Vejlin*

This paper estimates a wage growth equation containing human capital variables known from the traditional Mincerian wage equation with year, worker and firm fixed effects included as well. The paper thus contributes further to the large empirical literature on unobserved heterogeneity following the work of Abowd, Kramarz and Margolis (1999). Our main contribution is to extend the analysis from wage levels to wage growth. The specification enables us to estimate the individual specific and firm specific effects and their degree of explanation on wage growth. The analysis is conducted using Danish longitudinal matched employer-employee data 1980-2006. We find that the worker fixed effect dominates both the firm fixed effect and the effect of the observed covariates. Worker effects are estimated to explain around seven to twelve per cent of the variance in wage growth while firm effects are estimated to explain four to ten per cent. We furthermore find a negative correlation between the worker and firm effects, as do nearly all authors examining wage level equations. We find a positive correlation between the estimated worker fixed effect from regressions of wage levels and wage growth. This is suggestive evidence that workers with high initial wage also have higher wage growth.

A33

### **Counterfactual decomposition of changes in wage distributions via quantile regressions with endogenous covariates**

*Ilker Kandemir, Elena Martinez-Sanchis, Juan Mora*

Counterfactual decompositions allow the researcher to analyze the changes in wage distributions by discriminating between the effect of changes in the population characteristics and the effect of changes in returns to these characteristics. In this paper we derive counterfactual distributions by recovering the conditional distribution via a set of quantile regres-

sions, and correcting for the endogeneity of schooling decisions using a control function approach. With this methodology we analyze the sources of the changes in wage distribution that took place in the United States between 1983 and 1993, using proximity to college for different parental background as instruments. Our proposal allows us to obtain the counterfactual changes in the wage distribution that would have prevailed if there had been a change in the distribution of the unobserved ability affecting both years of education and earnings conditional on schooling. Our results show that this change had a negative effect on wages at the low quantiles, which almost compensates the positive effect of the observed change in the schooling distribution. Although we allow for the distribution of the unobservables to depend on observable covariates, we find that the change in the conditional distribution of the residuals accounts for most of the increase in wage inequality during the eighties in the United States.

**A34**

### **Wage Growth and Returns to Tenure in Italy**

*Michele Battisti*

This paper develops a simple model of the labour market with search frictions, and where job duration is endogenous. It allows us to distinguish the relative importance of different categories of human capital and delivers testable predictions regarding how returns to experience and job tenure can shed light on the relative importance of these different categories of human capital. We then test the main implications of the model by estimating the returns to experience and job tenure using an empirical model that estimates wages and job duration simultaneously, accounting for the potential endogeneity of seniority in wage determination. The application uses the full version of the WHIP (Work Histories Italian Panel) dataset. This is a panel dataset comprising a random sample of the population of Italian workers in the private sector for the years 1985-2004. This dataset has not been used for this research purpose to this date. We present result for the duration and earnings equations for females and males separately, and test the null hypothesis that seniority is exogenous by testing correlation of person and match random effects in the wage equations and in the hazard model for employment duration. We easily reject the null hypothesis. The first two years on the job are associated with a two percent yearly wage increase. The returns to tenure are very small afterwards. Preliminary results not included in this version suggest that this effect is primarily driven by tenure in the sector.

**A41**

### **The Effects of Job Displacement on the Onset and Progression of Diabetes**

*Annette Bergemann, Erik Gronqvist, Soffia Gudbjornsdottir*

The rapid increase in diabetes prevalence has become a major concern world wide. We analyze causal effects of being mass laid-off on the onset and progression of diabetes. We use a uniquely rich administrative data set from Sweden covering the whole population from the time from 1985 to 2008. As those that are laid-off might be a selective group with respect to health issues, we apply the method of dynamic matching. The method is particularly well suited to estimate treatment effects in dynamic setting where the treatment (the lay-off) occurs at different points in time.

**A42**

### **Great Expectations: Past Wages and Unemployment Durations**

*Tom Horvath, Rudolf Winter-Ebmer, René Böheim*

We examine the influence of wage expectations on unemployment durations for workers after exogenous lay-offs. To measure wage expectations, we use a wage decomposition that distinguishes between workers' and firms' wage components. Assuming that workers can only observe their own wages but do not know the overall distribution of firm rents, high firm rents can lead to distortions in workers' wage expectations, e.g. workers tend to

attribute excessively high wages to their productivity. We estimate hazard rate models for unemployment duration in Austria and find that, in particular, younger workers do search longer if they come from a firm with a very high firm-wage component.

**A43**

### **Employed and unemployed job seekers: Are they substitutes?**

*Simonetta Longhi, Mark Taylor*

The job search literature suggests that an increase in the proportion of job seekers who are employed reduces the probability of unemployed people finding a job. However, there is yet no evidence that employed and unemployed job seekers are similar in their observed characteristics, or even that they apply for the same jobs. We use the British Labour Force Survey (LFS) from 1984 to 2009 to compare different groups of job seekers: employed, unemployed and temporarily inactive. We find that these different types of job-seekers differ in their individual characteristics, preferences over working hours, and job-search strategies, and that such differences do not vary with the business cycle. Unemployed people are more likely to be in competition with other unemployed and with temporarily inactive job seekers, than with employed job seekers.

**A44**

### **The long-term impact of job displacement in Germany during the 1982 recession on earnings, income, and employment**

*Stefan Bender, Johannes F. Schmieder, Till von Wachter*

We show that workers displaced from their stable jobs during mass-layoffs in 1982 recession in Germany suffered permanent earnings losses of 10-15% lasting at least 15 years. These estimates are obtained using data and methodology comparable to similar studies for the United States. Exploiting advantages of the German data, we also show that while reduction and recovery in time worked plays a role in explaining earnings losses during the first ten years, the majority of the long-run loss is due to a decline in wages. We also show that even the generous German unemployment insurance system replaced only a small fraction of the total earnings loss. These findings suggest that job displacements can lead to large and lasting reductions in income even in labor markets with tighter social safety nets and lower earnings inequality.

**A51**

### **Pensions and Fertility: Back to the Roots The Introduction of Bismarck's Pension Scheme and the European Fertility Decline**

*Beatrice Scheubel, Robert Fenge*

Fertility has long been declining in industrialised countries and the existence of a public pension system is considered as one of the causes. We use the first comprehensive introduction of a public pension scheme in the world as a natural experiment setting to estimate the direct behavioural effect on fertility. We thus provide information on the importance of the investment motive for childbearing. Our results indicate an almost immediate reduction after the introduction, which accumulates to a reduction of 2-4 births per 1000 persons after a lag of 10 years, i. e. an average decrease of 5-10%.

**A52**

### **Determinants of efficiency in child care provision**

*Anna Monten, Christian Thater*

This article analyzes the efficiency in the provision of child care services at the municipal level, and identifies the main determinants of inefficiency. We use a unique data set on the local child care expenditures in the eastern German State of Saxony. The analysis is performed in two stages. First, we measure the efficiency by using a Data Envelopment Analysis (DEA). Second, we consider political, fiscal and demographic variables in a truncated regression to identify the determinants of inefficiency. We find substantial differences

in efficiency; the median municipality is up to 28% inefficient in expenditures on child care. Explanatory variables such as an uncompensated mayor or a larger share of over 65-year old have a significant influence on inefficiency.

**A53**

### **Social Security, Child Support and Fertility**

*Matti Viren, Mikko Puhakka*

We investigate the effect of government policies on fertility behavior in a model in which children are mainly seen as investment goods. To illuminate that effect we construct a simple exchange economy overlapping generations model with a private insurance scheme along with a public social security system. In the private system parents can invest in children and benefit from their support (care and income support) in the old age. An introduction of the public system will lower the incentive to have children, i.e. the fertility will be lower. This is an important negative externality of public pension system. We test some of the model's basic implications using long historical panel data from 11 countries for the period 1750-1995. In addition, we use two other data sets, the WDI (World Bank) and MZES (Manheim University) to reinforce the empirical results that are obtained with historical data. These analyses show, opposite to common beliefs, that there is a positive relationship between ageing and fertility if we control for the key determinants of fertility (size of the public sector, level of income, education and infant mortality). By contrast there is a strong negative relationship between (various indicators of) social security and fertility. The same is true for income and education while the fertility effect of infant mortality is clearly positive. Some empirical support is found for the notion that child support increases fertility.

**A54**

### **The Employment of Young Mothers after Birth – Recent Developments and their Determinants in East and West Germany**

*Regina T. Riphahn, Barbara Hanel*

We apply Mikrozensus data for the period 1996 to 2004 to investigate the employment status of East and West German women in the first years after giving birth. In the considered time period German women could take advantage of parental leave which protected the job of previously employed mothers for up to three years after giving birth. We investigate whether this regulation is correlated with the aggregate patterns of postnatal return to employment. Since German family policy sets incentives particularly for low income mothers not to return to the labor market after a birth, we test whether this influences the development of East-West German employment differences. We find substantial differences between high and low skill as well as between East and West German mothers' employment rates, we observe changes in mothers' employment behavior over time, where particularly East German women with low earnings potentials appear to converge to West German behavior patterns, and we observed the highest rate of return to employment when a child reaches age three.

**A61**

### **Population Trends and Household Welfare in Australia: A Stochastic Dominance Approach to Analysis**

*Rebecca Valenzuela, Hooi-Hooi Lean*

We apply stochastic dominance tests analyse population trends and changes in household welfare in Australia over the period 1983 to 2004. Results show significant levels of inequalities in the income and expenditure distributions for the population as a whole as well as within population groups. We further find that the impact of the government's tax and transfer redistribution scheme varied greatly among the different demographic groups. After tax and transfers are made, significant gains in welfare levels were observed for migrant and single-parents households compared to their non-migrant and couple-parent counter-

parts respectively. In contrast, welfare levels of male-headed households continue to dominate those of female households post tax and that there is limited government capacity for closing the existing gap in incomes and expenditures among households without children.

A62

### **Back to GDP: What is the Value-Added of Potential New Components of Welfare Measurement?**

*Sonja Kassenboehmer, Christoph Schmidt*

We investigate the value added for political interventions by the indices suggested by the growing economic literature on „Beyond GDP“. While this literature on measuring welfare suggests that GDP alone is an inadequate measure and therefore suggests exploring other determinants apart from material well-being, such as job security, crime, health, environmental factors and subjective feelings concerning one’s own situation, we investigate to what extent these factors are simply correlated with GDP. Should these additional factors simply be correlated with GDP, there would be no new additional informational content. To investigate this, we use macro data from the German Federal Statistical Office combined with aggregated German SOEP data (1991-2007) on the personal work situation and subjective feelings concerning several aspects of life. We use factor analysis to show that all variables suggested by the “Beyond GDP” movement can be reduced to one main underlying background variable which is near perfectly correlated with GDP. This factor explains already 74% of the variation shared by the variables and is mainly determined by objective health indicators. Together with a second underlying factor reflecting certain subjective worries about such things as world peace and the overall standard of living, 89% of the total variation can be explained. The latter factor is only weakly correlated with GDP. Since this latter factor only reflects the current general feeling of the population which can be influenced by many events (also internationally) completely outside the scope of national public policy, this latter factor seems to be of minor importance.

A63

### **The consequences of own and spousal disability on labor market outcomes and subjective well-being: Evidence from Germany**

*Nils Braakmann*

In this paper, I contrast the effects of individual and spousal disability on subjective well-being and labor supply using data on couples from the German Socio-Economic Panel for the years 1984 to 2006. I find that both men and women reduce their propensity to work when they or their partner become disabled. The effects of spousal disability are economically large. I find no evidence for hours and wage adjustments by spousal disability, although there are wage effects of individual disability. The life-satisfaction of women, but not of men, is reduced considerably by their partners’ disability. The effects are about 33 to 50% as large as those of individual disability. I also find no evidence that individuals adapt to their partners’ disability, although there is adaption to individual disability.

A64

### **If Seebohm Rowntree had Studied Sweden – How Poverty Changed in the City of Göteborg from 1925 to 2003**

*Bjorn Gustafsson, Birgitta Jansson*

This paper investigates the development of poverty in Sweden using micro data derived from tax files for the city of Göteborg for the years 1925, 1936, 1947, 1958 as well as more recent (1983, 1994 and 2003) information. We define poverty as living in a household with a disposable income lower than a poverty line that represents a constant purchasing power all years, as well as poverty lines defined as 60 percent of contemporary median income. Clear reductions of poverty from 1925 to 1947 as well as from 1958 to 1983 are found. We argue that an important poverty reducing mechanism during both periods was narrowing

earnings disparities. Further we claim that the poverty reduction from the end of the 1950s to the first half of the 1980s was the outcome of improved transfer systems as well as the establishment of pronounced characteristics of present-day Sweden: the dual earner system.

**A71**

**Human Capital vs. Signaling: The German Reunification as a Natural Experiment**  
*Ulf Rinne, Zhong Zhao*

This paper revisits the debate between Becker's theory of human capital and Spence's signaling approach towards education. We explicitly test the theoretical predictions of these two opposing approaches using the German reunification as a natural experiment. More specifically, we exploit the variation in the influence of the political system on curricula across fields of study in university education. We calculate the extent to which different fields of study were influenced by the socialist regime, and apply a difference-in-differences approach for East and West German university graduates. According to the theory of human capital, the value of university degrees obtained in the GDR which were highly influenced by the regime (e.g., law, economics, history) was substantially depreciated when Germany was reunified in 1990. This would not be the case under the signaling assumption. Our results can be viewed as evidence in favor of the human capital theory: we find that the returns to such degrees have been significantly lower than those to degrees in fields of study which had been moderately influenced (e.g., medical sciences).

**A72**

**The Signaling Value of Central School Exams**  
*Guido Schwerdt, Ludger Woessmann*

While the fact that students perform better in school systems with curriculum-based external exit exams is well documented, little is known about the channels through which this reduced-form pattern arises. One possible channel is that central exams increase the signaling value of high school leaving grades, so that students increase their learning effort to reap later labor-market benefits. This paper tests this channel in a differences-in-differences framework, estimating whether earnings differences between high and low grades are greater in German States with central exit exams "Abitur" than ones without them. There is clear evidence that the earnings premium for high-school leaving grades is bigger when they are based on central exams. Central exams also increase the number of interviews and job offers per application.

**A73**

**Compulsory Schooling Laws and Public Examination Reforms: Labour and Non-Labour Market Outcomes**  
*Jonathan James*

This paper uses educational reforms that took place last over the last 60 years in the UK by exploiting variation in the timing of the reforms over different regions to examine the causal effect of compulsory schooling law changes, and various changes to the public examination systems on a range of labour and non-labour market outcomes. Using the General Household Survey for Britain and the Continuous Household Survey for Northern Ireland and employing a regression discontinuity design and difference-in-difference methods I find that compulsory schooling law changes have a greater impact than changes to the examination system. In summary, compulsory schooling laws are an important factor in gaining any qualifications, this is in contrast to the introduction of less academic examinations. Further, I find that the raising of the compulsory schooling leaving age to 15 reduced smoking at an early age and the increase to 16 reduced the probability of a teenage birth and an early marriage, although this had no impact on overall fertility or final marriage behaviour. Further, this is extended by looking at the effects that this reform had on the next generation using the National Study of Health and Growth. In terms of child health, evidence is found of a causal effect of maternal education on increased birth weight, gestation period, and some

other health outcomes for adolescent children. This paper provides further evidence on the importance of years of schooling and shows that changes to the content of education has little impact.

**A74**

### **“Piloting the nation: What do we learn from pilot interventions?”**

*Arnaud Chevalier, Vincent O’ Sullivan*

We compare the effects of the pilot implementation and the subsequent national roll-out of a large programme providing financial transfers to youth who remain in post-compulsory education. While piloting policies is becoming standard in policy evaluation, little is known of their external validity. Using a difference-in-difference-in-differences methodology and several cohorts of the Youth Cohort Study for England and Wales, we estimate the effect of the Education Maintenance Allowance on post-compulsory school participation both in the piloting stage and in its national implementation. We find that the pilot scheme and the national extension had an effect on post-16 schooling but that the evidence in support of the national extension is weaker.

**A81**

### **Children’s Schooling and Parental Migration: Empirical Evidence on the “Left Behind” Generation in Albania**

*Lucia Mangiavacchi, Gianna Claudia Giannelli*

This article investigates the long-term effects of parental migration abroad on the welfare of children left behind in Albania. Although parents’ migration usually benefits children economically, the lack of parental care may cause relational and psychological problems that may affect children’s welfare in the long term. The phenomenon of children left behind - mainly by fathers - is very relevant in Albania where migration has represented the only viable way to cope with increasing poverty and the absence of public resources for sustaining households’ incomes. Using detailed information on family migration drawn from the Living Standard Measurement Survey for 2005, binary and multiple choice models are applied to evaluate the decision to send children to school and the school progression of older children and adolescents. A duration analysis of school participation with both discrete and continuous time models is then performed. The results show that past parental migration has a negative effect on children’s welfare. On one side it negatively affects school attendance in the long run with higher hazard rates of school drop-out for the children left behind. On the other side, there are no effects on the share of expenditure devoted to children in the household. These results are robust to the change of econometric techniques and model specifications.

**A82**

### **Why do so Many Children of Immigrants (and their Children) Attend University? Some Evidence for Canada**

*Richard Mueller, Ross Finnie*

In our previous work on the post-secondary (i.e., college and university) attendance of immigrants to Canada, we have shown that the children of first and second-generation immigrants from a number of source countries (e.g., China) have higher post-secondary education attendance rates compared to the group of immigrants from all regions in the world, who in turn have higher rates compared to those born in Canada to Canadian-born parents. Even though college participation rates are generally lower for the children of immigrants compared to those born in Canada to Canadian parents, these extraordinarily high university participation rates mean that these immigrants and their children have the highest overall PSE participation rates. Even after controlling for a variety of family influences and environmental factors, a large proportion of these higher attendance rates still cannot be explained. Recent research by Akerlof and Kranton on “identity” could hold the key to explaining this phenomenon. Using familiar decomposition techniques and the

extremely rich Canadian Youth in Transition Survey, we attempt to answer the question, why do so many immigrants and their children attend university? And what characteristics do some immigrant groups have that others may not which increases the probability of university attendance? The policy implications of these findings will be discussed.

**A83**

**Labour Market Assimilation and Over-Education:  
The Case of Immigrant Workers in Italy**

*Laura Pagani, Carlo Dell'Aringa*

In this paper we study the assimilation of immigrants into the Italian labour market using over-education as an indicator of labour market performance. The main objective is to assess the extent to which work experience in the host country's labour market favours the international transferability of immigrants' human capital. Using data from the Istat Labour Force Survey for the years 2005-2007, we find that foreigners are much more likely to be over-educated than natives upon their arrival in Italy and that work experience gained in the country of origin is not valued in the Italian labour market. Moreover, we find that not even experience acquired in Italy is helpful in improving immigrants' educational job matches, suggesting that catch-up by foreigners seems unachievable, even after they adapt their skills to the host country labour market.

**A84**

**Transferability of Human Capital and Immigrant  
Assimilation: An Analysis for Germany**

*Thomas K. Bauer*

This paper investigates the role of imperfect human capital transferability across countries in explaining the immigrant-native wage gap. Using data for West Germany, our results reveal that, overall, education and labor market experience accumulated in the home countries of immigrants receive significantly lower returns than human capital obtained in Germany. We further find evidence for heterogeneity in the returns to human capital of immigrants across origin countries. In particular, immigrants from high-income countries tend to earn the highest returns to their foreign human capital than the other groups. This lends support to the importance of compatibility of the immigrants' home and host countries in the transferability of skills.

**A91**

**Why care? Social norms and the supply of unpaid care.**

*Marina Della Giusta, Nigar Hashimzade, Sarah Jewell*

This paper is part of a research project aiming to provide economic models of caring that can be used to formulate policy. Here we focus on the decision to provide unpaid care for elderly, sick or disabled family members and on the role of social norms and relative income. We present a model of unpaid care provision and illustrate some of its predictions using numerical simulations. Empirical results based on the British Household Panel Survey are presented and discussed.

**A92**

**All in the Family: Does Family Smoking Cause Youth Initiation?**

*Laura Fumagalli, Dean Lillard*

Smoking is one of the leading preventable causes of death in every developed economy. In the U.S. smoking is estimated to be a significant cause of more than 400,000 premature deaths annually. Recent policy debates in most countries have tended to focus on how to prevent youth from starting to smoke. Embedded in these debates is a stylized fact that has yet to be established in a systematic way - whether smoking by older family member (parents and/or older siblings) causes youth to be more likely to take up smoking. Many policy experts assume the answer to this question is obvious. In this paper we use data from the British Household Panel Study to try to estimate whether the relationship is causal. We

estimate both naive models that ignore the endogeneity of the smoking decisions of family members and models that control for those choices. The results suggest that failing to control for the endogenous choice of parents to smoke leads to incorrect inferences.

**A93**

### **Social Interactions at the Workplace: Exploring Sickness Absence Behavior**

Karsten Rieck, Kjell Vaage, Tor Helge Holmås

We investigate whether a worker's sickness absence is affected by the absence of her colleagues at the workplace. Using a unique matched employer-employee data for Norwegian school teachers for the period 2001 to 2006 with information of different absence types and multiple teacher and school characteristics, we find evidence of significant social interaction effects for the self-reported absence. The results are robust to different approaches where we mitigate methodological problems such as the reflection problem and intra-group correlation.

**A94**

### **The Importance of the Distance to a Non-Residential Parent - An analysis of Children's Health, Behavior, and Educational Outcomes**

*Astrid Würtz Rasmussen, Leslie S. Stratton*

A substantial and growing fraction of children across Europe and the US live in households with only one parent or in households with a step-parent. At the same time there has been a growing tendency to grant joint custody or otherwise ensure that children of divorced parents spend time with each of their biological parents. This shift away from maternal custody is based on the belief that having contact with each parent is in the child's best interest. As our concern in this study is the impact of contact with the non-residential parent on child outcomes, we limit our analysis to children who have experienced at least one parental separation or divorce. In order to track family structure over time we use a population sample of Danes and explore children's educational achievement, health outcomes, and criminal activity using detailed register data. Information on the travel distance between the household where the child resides and the child's other parent's household is employed to proxy for contact and instrumental variables techniques are employed to control for endogeneity. The preliminary results suggest that educational and behavioral outcomes are better for children who live farther away from their non-residential parent. Thus, policy efforts to keep separated parents geographically closer together for the sake of the children may in fact not be advantageous.

**B11**

### **Determinants of Trade Union Membership in Great Britain During 1991-2003**

*Georgios Marios Chrysanthou*

We analyse the determinants of union membership in the UK using data from the BHPS (1991-2003). Employing three alternative methodologies to control for the problem of initial conditions we find that union membership remains persistent even after controlling for the unobserved effect. There is evidence of a considerable correlation between the unobserved individual heterogeneity and the initial membership status. Ignoring this overstates the degree of state dependence of union membership greatly. The extent of state dependence in union membership status is notably higher in the (1991-1996) period estimates and appears to be more pronounced in the case of male employees for the entire period under analysis. The second period estimates reveal that unobserved heterogeneity has a more prominent impact in determining future unionisation probability versus past union membership. Finally, the estimates suggest that an individual's propensity to unionise is determined by a mixture of industrial and personal characteristics. This is at odds with earlier studies, such as Booth (1986) and Wright (1995), failing to control for unobservable effects and concluding that personal attributes do not have a significant impact on unionisation propensity.

**B12**

**Minimum Wage and Staying-on Rates in Education for Teenagers in the UK**  
*Augustin de Coulon, Elena Meschi, Jonathan Wadsworth*

This paper assesses the impact of the introduction of the NMW for 16-17 year olds on the decisions made by young people at age 16 to stay-on in full time education (FTED) or enter the labour market. We investigate whether there is evidence of any changes in education participation rates following the introduction of the NMW for 16-17 years old in October 2004. Using the Local Authorities as local labour markets, we implement a “diff in diff” approach to compare the evolution of “staying on” rates in low and high wage LAs that are differently affected by the introduction of NMW. In low wage regions, a large proportion of employees are affected by the introduction of a minimum wage, whereas in high wage regions a far lower proportion is affected. We found no evidence of reduced participation amongst youths in low wage LAs compared to high wage LAs. We also found no evidence that the large (10%) increase in the NMW that happened in 2006 had any impact either. The decision to “stay on” for 16 years olds does not seem to be affected by the higher wages induced by the introduction of NMW for 16-17 year olds in 2004. This results is found despite large increase in wages paid to teenagers in low wage regions. It contradicts other papers that found large detrimental effect of minimum wage on participation to education.

**B13**

**Product market competition and the minimum wage**  
*Hanna Kroeger, Ronald Bachmann, Thomas Bauer*

This study analyzes employers' support for the introduction of minimum wages in order to improve their competitive position. Using a unique data set consisting of 800 firms in eight industries in the German service sector, we find some evidence that high-productivity employers support minimum wages to drive low-productivity firms out of the market. Furthermore, firms in highly competitive industries tend to support a minimum wage to prevent low-wage competition from other EU member states. In addition, there is strong evidence that members of employer associations are more likely to support a minimum wage when trade unions are weak.

**B14**

**Trade Union Membership and Dismissals**  
*Markus Pannenberg, Laszlo Goerke*

In Germany, there is no trade union membership wage premium, while the membership fee amounts to 1% of the gross wage. Therefore, prima facie, there are strong incentives to free-ride on the benefits of trade unionism. We establish empirical evidence for a private gain from trade union membership which has hitherto not been documented: in West Germany, union members are less likely to lose their jobs than non-members. In particular, using data from the German Socio-Economic Panel we can show that roughly 50% of the observed raw differential in individual dismissal rates can be explained by the estimated average partial effect of union membership.

**B21**

**The Third Pillar in Europe: Institutional Factors and Individual Decisions**  
*Julia Le Blanc*

This paper studies household participation in voluntary individual retirement accounts in eleven European countries. We present a detailed overview of how each country has designed the interplay between public, occupational and voluntary pension schemes. Using recently available, internationally comparable data of households aged 50+, we calculate country-by-country average marginal effects. Our results indicate that households' participation in the third pillar varies substantially across countries. While spill-over effects from mandatory accounts are likely, incentives only have limited effects. Moreover, higher education is crucial for participation. However, differences across countries cannot only be explained by institutional factors, leaving room for individual decisions.

**B22****Economy wide risk diversification in a three-pillar pension system***Cai Cai Du, Joan Muysken, Olaf Sleijpen*

We model a three-pillar pension system and analyse the impact of exogenous shocks on the aggregate economy, using an overlapping generations model where individuals live for two periods. The three-pillar pension system consists of (1) a PAYG pension system, (2) a Defined Benefits pension fund, and (3) private savings. The economy is exposed to an ageing trend, a stock market crash and inflation. We show that in the three-pillar pension system the impact of these shocks on the economy is mitigated when compared to a system in which pensions are only funded through one or two of these pillars. The reason is that each shock has a different impact on the three pillars. In order to illustrate the working of the model with respect to the impact of shocks, both magnitude and development over time, we provide simulation results for the Netherlands.

**B23****Welfare, inequality and financial consequences of a multi-pillar pension system. A reform in Peru.***Javier Olivera*

The distributional impact of the structural pension reform in Latin American countries has been largely absent in the economic debate. However, this reform may widen inequality in old-age and reduce welfare. In this paper we study the consequences of implementing a multi-pillar system in one of these countries. We take advantage of available administrative records for Peruvian workers to estimate inequality in pensions, pension debt and welfare. Overall, our results show that the pension debt and inequality can be substantially reduced without welfare losses.

**B24****Pension reform with variable retirement age - A simulation analysis for Germany***Manuel Kallweit, Hans Fehr, Fabian Kindermann*

Germany has introduced in 2007 a pension reform which increases the normal retirement age between 2012 and 2029 from currently 65 to 67 years. The present study aims to quantify the macroeconomic, welfare and efficiency consequences of this reform by means of a computable general equilibrium model with overlapping generations. Our model features the most recent demographic projections for Germany and distinguishes three skill classes with different life expectancies within generations. Most importantly, individuals chose their effective age when they exit from the labor market and start receiving pension benefits. Our quantitative analysis indicates three central results: First, the previously implemented pension reductions are not able to stabilize long-run contribution rates and increase old-age poverty rates in Germany considerably. Second, the considered reform of 2007 will increase effective retirement by about 11 months and redistribute towards future cohorts. However, it will also further increase old-age poverty since rich people are more flexible in adjusting retirement. Overall, the efficiency gains of the reform are very modest. Third, reform packages which aim to reduce old-age poverty may even harm future cohorts and come with significant efficiency cost.

**B31****The Influence of Parents and Peers on Pupils: A Randomized Experiment***Francesco Avvisati, Marc Gurgand, Nina Guyon, Eric Maurin*

This paper presents a randomized field experiment on schools involving parents in their 11-year old children's education. An outreach program invited volunteer parents in test classes to be more involved with the education of their children and raised their awareness about the functioning of the school. We evaluate the impacts of this parental support and involvement program in France using a clustered design. At the end of the school-year, we find that treated families effectively increased their school- and home-based involvement activities. The children of families who were directly targeted by the program developed

more positive behavior and attitudes in school, and their results improved in French, but not in mathematics. Importantly, for all behavioral outcomes we find large indirect effects of the program on classmates of treated families.

**B32**

### **Inequality in pupils' educational attainment: How much do family and neighbourhood matter?**

*Birgitta Rabe, Cheti Nicoletti*

We estimate sibling and neighbour correlations in educational attainment at the end of compulsory schooling in the UK to bound the relative importance of family and neighbourhood on this outcome. By using multilevel models we are able to produce tighter bounds than previous studies, to estimate a “relative family effect” and to allow for heterogeneity. We estimate a sibling correlation of between 0.4 and 0.5 and a neighbour correlation of approximately 0.1. While neighbour and sibling correlations do not differ by gender, we find a higher correlation for twins than for non-twin siblings and higher neighbour correlation for urban than rural areas.

**B33**

### **Does parental time allocation affect children academic performance?**

*Ainara González de San Román, Sara de la Rica*

The basic question we would like to answer is how parental time allocation affects children academic performance in Spain. In particular, whether the fact that parents stay at home when their children study, that is, in the subsequent hours to school, affects their academic results -measured by the PISA outcomes on test scores-. In order to address this question, we need data on test scores and on time use. Two data sets are required: the Programme for International Student Assessment (PISA) and the Spanish Time Use Survey (STUS). The objective is trying to use both data bases using the techniques on combining datasets proposed by Angrist & Krueger (1991) or Arellano and Meghir (1992)

**B34**

### **Family Background, Cultural Capital and Access to Higher Education in Canada**

*Ross Finnie, Richard Mueller, Stephen Childs*

This paper extends the growing literature on access to higher education by using a uniquely rich Canadian longitudinal dataset to relate access to a variety of detailed indicators of family environment, family habits, family wealth, and children's experiences in the family setting. These measures include patterns of communication between parents and children, family support for their children's learning, home resources related to educational activities, family wealth, “cultural” possessions and activities, reading habits, and more. Many of these factors turn out to be important correlates of post-secondary educational outcomes – university attendance in particular – even after controlling for other important family characteristics such as family income and parental education levels. While these relationships are not necessarily causal, they paint a rich portrait of the sorts of family background environments, habits and experiences that tend to lead on to higher education. This understanding could help policy makers develop initiatives to advance the goals of increasing PSE participation rates overall and improving PSE opportunities for disadvantaged youth in particular.

**B41**

### **Distributional Changes in the Gender Wage Gap, 1994-2007**

*Mathias Sinning, Sonja Kassenboehmer*

This paper analyzes changes in wage differentials between white men and white women along the entire wage distribution using the 1994 and 2007 waves of the Panel Study of Income Dynamics (PSID). We decompose distributional changes in the gender wage gap to assess the contribution of observed characteristics measuring individual productivity. We find that the gender wage gap narrowed by more than 20 percent at the lowest decile and by less than 4 percent at the highest decile. The decomposition results indicate that changes

in the gender wage gap may be attributed entirely to changes in educational attainment at the top of the wage distribution, while a sizeable part of the changes is due to work history changes at the bottom.

**B42**

### **Gender Differences in Careers**

*Sami Napari, Antti Kauhanen*

Using a large linked employer-employee dataset on white-collar workers from the Finnish manufacturing over the period 1981-2006, this paper examines gender differences in careers. Our focus is on three main issues. First, we investigate whether men and women start their careers from different hierarchical positions. Second, we analyse gender differences in promotion rates. Third, we examine gender gap in starting wages and wage premiums to changes in hierarchical position. The results show that men start their careers from higher ranks of the hierarchy than women. We also find that men are promoted more likely than women amplifying the gender differences in hierarchical positions already apparent in the labour market entry. Concerning wages, men earn higher starting wages than women whereas gender differences in the wage gains attached to changes in hierarchical position are less clear-cut. Men receive higher returns to promotion with employer changes whereas women benefit more from internal promotion.

**B43**

### **Educational Mismatch: Are High-Skilled Immigrants Really Working at High-Skilled Jobs and the Price They Pay If They Aren't?**

*Barry Chiswick, Paul Miller*

This paper examines the incidence of the mismatch of the educational attainment and the occupation of employment, and the impact of this mismatch on the earnings, of high-skilled adult male immigrants in the US labor market. Analyses for high-skilled adult male native-born workers are also presented for comparison purposes. The results show that overeducation is widespread in the high-skilled US labor market, both for immigrants and the native born. The extent of over-education declines with duration in the US as high-skilled immigrants obtain jobs commensurate with their educational level. Years of schooling that are above that which is usual for a worker's occupation are associated with very low increases in earnings. Indeed, in the first 10 to 20 years in the US years of over-education among high-skilled workers have a negative effect on earnings. This ineffective use of surplus education appears across all occupations and high-skilled education levels. Although schooling serves as a pathway to occupational attainment, earnings appear to be more closely linked to a worker's occupation than to the individual's level of schooling.

**B44**

### **Performance Pay and the Gender Wage Gap in Spain**

*Sara De la Rica, Juan José Dolado, Raquel Vegas*

Our goal in this paper is to dig deeper in the specific role played by Performance Pay (PP) as an explanatory factor for the gender pay gap in Spain. In the first part of the paper, we address the impact of PP on the observed gender gap in total pay throughout the wage distribution, since PP is bound to have substantially different effects at different quantiles. The second part focuses exclusively on the PP component of the wage and explores to what extent gender differences remain once observable individual controls have been accounted for. As before, we also examine this issue at different points of the wage distribution. Further, given that the group of individuals that receive PP are not likely to be a random sample of the distribution of all workers, we deal with potential selectivity bias. Preliminary results suggest that PP help explain at least partly the so-called "glass ceiling" effect. Highly skilled men are not only more affected by PP than observationally equivalent women, but also they receive more in terms of PP than their female counterparts.

**B51**

**Incentive Effects of Unemployment Insurance Savings Accounts: Evidence from Chile**

*Jan van Ours, Gonzalo Reyes, Milan Vodopivec*

This study examines the determinants of job-finding rates of unemployment benefit recipients under the Chilean program. This is a unique, innovative program that combines social insurance through a solidarity fund (SF) with self-insurance in the form of unemployment insurance savings accounts (UISAs) -- so as to mitigate the moral hazard problem of traditional unemployment insurance programs. Our study is the first one to empirically investigate whether UISAs improve work incentives. We find that for beneficiaries using the SF, the pattern of job finding rates over the duration of unemployment is consistent with moral hazard effects, while for beneficiaries relying on UISAs, the pattern is free of such effects. We also find that for benefit recipient not entitled to use the SF, the amount of accumulation on the UISA does not affect the exit rate from unemployment, suggesting that such individuals internalize the costs of unemployment benefits. Our results provide strong support to the idea that UISAs can improve work incentives.

**B52**

**The effects of expanding the generosity of the statutory sickness insurance system**

*Nicolas Ziebarth, Martin Karlsson*

Statutory sick pay for sickness episodes up to six weeks was increased from 80 to 100 percent of forgone gross wages as of January 1, 1999 in Germany. We show that the generosity expansion has increased average absence days by about ten percent or one day per employee, per year. We find a substantial degree of effect heterogeneity. Employees in a bad health shape have reacted strongest. By contrast, employees' average health has not improved as a consequence of the reform. Our calculations suggest that the generosity expansion represents an annual increase in labor costs of about \EUR1.8 billion. Finally, we provide evidence suggesting that employers have tried to compensate this shock in labor costs by increasing overtime and decreasing wages.

**B53**

**Empirical Analysis of Unemployment Insurance Take-up: the Importance of Sampling Scheme and Censoring**

*Sylvie Blasco, François Fontaine, David Margolis*

This paper summarizes the empirical literature on unemployment insurance take-up and aims at explaining the diversity of estimated take-up rates. We highlight two important specificities of unemployment benefits take-up which may have dramatic consequences on the validity of the estimated take-up rates if ignored: UI claiming is a dynamic process and display endogenous links with unemployment duration. Using surveys and administrative data, we show that take-up rates are highly sensitive to sampling schemes. Stock sampling tends to overestimate take-up rates because it oversample longer unemployment spells. Moreover, endogenous right-censoring is likely to underestimate non take-up rates if not taken into account. Lastly, we find that survey-based and administrative-based data give comparable estimates for the determinants of UI take-up but they are biased if endogenous right-censoring is ignored.

**B54**

**Social Jealousy and Stigma: Negative Externalities of Social Assistance Payments in Germany**

*John Haisken-DeNew, Sonja Kassenboehmer*

This paper examines the role of social assistance payments (SAP or Sozialhilfe) in determining levels of life satisfaction in Germany using the SOEP 1995-2004. We find strong evidence that individuals in Germany are negatively influenced by increased SAP payments controlling for income, whether or not they actually receive such payments (stigma and social jealousy). While there are obvious benefits to making SAP to those needy, there are substantial nega-

tive externalities experienced by those who neither receive SAP nor qualify (counterfactual SAP). Furthermore, these negative effects are even stronger for those who do receive benefits (stigma) suggesting that social jealousy and stigma are a force to be reckoned with when evaluating social policy. We show that the added benefits of increasing SAP are reduced by 50 to 100% because of social jealousy and stigma costs, whereas child benefits (Kindergeld) are seen to enhance life satisfaction over and above a simple income effect. Further, own-earned income, over and above the SAP subsistence level is valued much higher than transfer payments at the SAP subsistence level, suggesting a policy focus on increasing employment integration efforts for SAP recipients as opposed merely to providing SAP transfers.

**B61**

### **Age effects on employment after first birth - A timing of events approach**

*Katrin Sommerfeld, Bernd Fitzenberger, Susanne Steffes*

The effects of employment breaks on labor market outcomes are of great relevance in particular for females in relation with childbirth. In this paper we estimate the effect of the timing of women's first birth on later labor market outcomes, more precisely the effect on employment. In order to investigate the treatment effect of having the first childbirth now or waiting, we employ the dynamic treatment approach in the spirit of Sianesi (2004, 2008). We combine this approach with the inverse probability weighting (IPW) as in Busso et al. (2009) for better performance than matching with respect to bias and variance in finite samples with good overlap. Finally, we assess effect heterogeneity by estimating ex post outcome regressions as in Abadie, Imbens (2006). We implement this novel approach on a monthly basis by using the German SOEP data set from 1991 to 2008. Preliminary results show that there are very strong employment effects around childbirth which decline over time, but remain significantly negative for all age groups over the whole considered period of five years after childbirth. Further, the treatment effect patterns display substantial dynamics and heterogeneity for the different age groups. Considering educational heterogeneity shows that the employment drop is less pronounced for university graduates above the age of 30.

**B62**

### **Modeling the Italian female labour market participation with infertility shocks**

*Concetta Rondinelli, Roberta Zizza*

The negative association between fertility and female labour market participation is complicated by the endogeneity of fertility. We address this problem by using an exogenous variation in family size caused by infertility shocks, mainly related to the fact that nature prevents some women from achieving their desired fertility levels. We find that children do not causally affect the Italian female involvement in labour market. Cohort effects are however at play so that the presence of children significantly pushes the youngest women into the labour market.

**B63**

### **The importance of economic development related to fertility in OECD countries.**

*Angela Luci, Olivier Thévenon*

We are concerned about the importance of economic development related to fertility in OECD countries. Knowing about the J-shaped relationship between the human development index (HDI) and total fertility rates that was recently found by Myrskylä, Kohler and Billari (2009), we single out the impact of economic development on fertility. We empirically test the hypothesis of a convex impact of economic advancement on fertility, implying a U-shaped pattern of fertility along the process of economic development, using data from the OECD area that spans the years 1960 to 2007. We use a range of econometric techniques, including 2SLS, Fixed Effects and System GMM to deal with left-out variable bias, unobserved heterogeneity, non-stationarity and endogeneity. The empirical results confirm our

hypothesis even when controlling for postponement of birth and suggest that the U-shaped pattern between economic development and fertility is dominated by within-country variation. Moreover, we designate a clear turning point in the relationship between economic development and fertility. However, we find that economic development is not sufficient to explain the fertility rebound that could have been observed recently in several highly developed OECD countries.

**B64**

### **Are all the good men fathers? Wage dynamics around childbirth**

*Astrid Kunze*

In this study we investigate the wage dynamics of men with and without children. Particular account is taken of the endogeneity of fertility of men. We hypothesize that family background is an important contaminating factor and we account for this usually unobserved factor by within brother and within twin estimation. For our empirical analyses we exploit rich Norwegian register data on cohorts of men born between 1955-65 for whom we have information about their complete earnings from 1967 until 2005, and complete information on their fertility including timing of births. Descriptives show that on average men with children earn around 6 per cent more than men without children. This holds also when we follow them over time from the beginning of their careers. This premium reduces when we apply within brother estimates. Within twin estimates become not significant and hence suggest that family heterogeneity is an important explanatory factor.

**B71**

### **Social Networks, Job Search Methods and Reservation Wages: Evidence for Germany**

*Ricarda Schmidl, Marco Caliendo, Arne Uhlenborff*

In this paper we analyze the relationship between social networks and job search behavior of unemployed individuals. It is assumed that networks convey useful information in the job search process so that individuals with larger networks should experience a higher productivity of informal search. Hence, job search theory suggests that individuals with larger networks use informal search channels more often than others and substitute from formal search towards informal search. Also, due to the increase in search productivity it is likely that individuals set higher reservation wages. We investigate these relations in an empirical analysis, using the IZA Evaluation Dataset. This extensive data set contains information on unemployed individuals interviewed shortly after their entry into unemployment. Our findings confirm theory in that individuals with larger networks use informal search channels more often and substitute formal search intensity for informal search. We find that informal search is mainly considered a substitute for passive, less cost intensive search channels. The effect of networks on reservation wages seems not very pronounced for the network indicators used, however strong differences exist for individuals with heterogeneous educational attainment. In the second step of our analysis we relate these findings to labor market outcomes up to one year after entry into unemployment.

**B72**

### **Does the Ethnic Composition of Co-Workers Affect Wages?**

*René Böheim, Karin Mayr*

We investigate the effect of the share of foreign co-workers on natives' wages. Using Austrian administrative data we examine the changes in the ethnic composition of co-workers on natives' wages controlling for worker- and firm-specific effects. A wage effect of foreign co-workers may exist because of an external effect on native productivity and, second, a compensating wage differential (if foreign co-works represents a - negative or positive - job amenity). We can discriminate between the two by looking at whether the number of (lagged) job quits by natives decreases or increases in response to a change in the share of foreign co-workers.

**B73**

### **Referral-based Job Search Networks**

*Albrecht Glitz, Christian Dustmann, Uta Schönberg*

This paper develops a model and derives novel testable implications of referral-based job search networks in which employees provide employers with information about potential job market candidates that they otherwise would not have. Using unique matched employer-employee data that cover the entire workforce in one large metropolitan labor market over a 20 year period, we find strong support for the predictions of our model. We first show that firms are more likely to hire minority workers from a particular group if the existing share of workers from that group employed in the firm is higher. We then provide evidence that workers earn higher wages, and are less likely to leave their firms, if they were hired by a firm with a larger share of minority workers from their own group and are therefore more likely to have obtained the job through a referral. The effects are particularly strong at the beginning of the employment relationship and decline with tenure in the firm. These findings support the hypothesis that, through referrals, job search networks help to reduce informational deficiencies in the labor market and lead to productivity gains for workers and firms.

**B74**

### **Friends' Networks and Transitions into Employment**

*Konstantinos Tatsiramos, Lorenzo Cappellari*

We empirically investigate the effect of social interactions on labour market outcomes using a direct measure of social contacts based on information about individual's best friends and their characteristics. We examine the effect of the number of employed friends on the probability to enter into employment. We find that having employed friends increases the probability to find a job. These findings are robust to specifications that address the endogeneity of friends' employment status that may be induced by correlation with unobserved individual attributes. Investigating the mechanisms behind these effects, we find evidence of higher wages for those with more employed friends, which is consistent with networks acting as information transmission devices.

**B81**

### **Do guns displace books? The impact of compulsory military service on the demand for higher education**

*Alfredo Paloyo, Thomas Bauer, Stefan Bender, Christoph Schmidt*

Compulsory military service is expected to have a negative impact on the demand for higher education through its effect on the returns to human capital investments. This latter impact is due to, among others, skill atrophy (i.e., the depreciation of human capital learned before military service), the acquisition of skills not relevant for the civilian labor market and the associated time lost during acquisition, and the forced delayed entry into the said labor market. To estimate the causal effect of conscription on the demand for higher education, we use the regression-discontinuity design of the military draft in Germany in the 1950s. The law which introduced conscription exempted men born before 1 July 1937 from military service while those who were born afterwards faced a positive probability of being drafted. In comparing these two groups, we find that military service has a negative but statistically insignificant impact on the probability of obtaining a university education.

**B82**

### **The Long-term Effects of Higher Track School Attendance**

*Patrick Puhani, Christian Dustmann, Uta Schönberg*

We estimate the effect of school quality on educational achievement and earnings. Random variation in educational quality is obtained from a discontinuity design where birth month influences the educational path of students for at least six years in the German school tracking system. The natural experiment occurs through school entry age effects, driven by birth month, on the educational track choice. Students are segregated according to their perform-

ance at age 10 in Germany, very early by international comparison. We show that this effect of birth month on school entry age and subsequently on track choice persists for at least 6 years and implies significant school quality effects. Using administrative data on students and workers, we show that earnings effects of these randomly allocated school qualities are close to zero. One reason for this finding is that students allocated to the non-academic vocational track make use of the flexibility of the German school system by upgrading their educational level (and vice versa).

**B83**

### **The effect of accountability policies in primary education in Amsterdam**

*Dinand Webbink, Victoria Chorny*

In 1995 the municipality of Amsterdam introduced accountability policies for schools in primary education. Population statistics show a large increase of test scores in the decade after the introduction of the new urban policies. This paper assesses this increase in test scores by analyzing data of a large sample of schools that include scores on the published test and scores on two independently taken tests that are not published. Difference-in-differences estimates show that after the introduction of the accountability policies scores for all tests increased substantially more in Amsterdam than in the rest of the country and more than in the other three large Dutch cities. Two-thirds of the increase on the published test score seem to be related with an increase of general skills, and one-third with an increase of test-specific skills. We do not find evidence for strategic behavior of schools. The accountability policies in Amsterdam seem to have succeeded in raising educational achievements in primary schools.

**B84**

### **Too far to go? Does distance determine study choices?**

*Stefan Wolter, Stefan Denzler*

A number of studies have long shown that the probability of studying at university is influenced by the distance to the next university. This study shows for the first time that distance to university also influences the choice of subject/faculty and institution. These findings are interesting also because the distance effect in terms of these decisions is associated with significantly less risk of endogeneity than the analysis of the willingness and ambition to attend university. The results also show that distance does not influence study choices among students from the highest socioeconomic group, which can be interpreted as a further indication that distance to university is in fact an expression of differences in the cost of a university education.

**B91**

### **Does Granting Citizenship to Immigrant Children Affect Family Return Migration**

*Christoph Sajons*

In this study, I examine the effect of introducing the birthplace principle for children of foreigners on the return migration behavior of migrant families. Using the reform of the German citizenship law in 1999 and data from the German Microcensus from 2001 to 2006, I exploit the discrimination of different birth cohorts included in this legislation to apply a regression discontinuity design for the analysis. Comparing the return migration behavior of foreign-citizen families with children born directly before and after the enactment, I find some evidence that granting citizenship to immigrant children reduces the likelihood of return migration for their parents. Self-selection into return migration, on the other hand, does not seem to be affected significantly.

**B92**

### **Circular Migration or Permanent Return: What Determines Different Forms of Migration?**

*Matloob Piracha, Florin Vadean*

This paper addresses the following questions: To what extent do the socio-economic characteristics of circular/repeat migrants differ from migrants who return permanently to the home country after their first trip (i.e. return migrants)? and What determines each of these distinctive temporary migration forms? Using Albanian household survey data and both a multinomial logit model and a maximum simulated likelihood (MSL) probit with two sequential selection equations, we find that education, gender, age, geographical location and the return reasons from the first migration trip significantly affect the choice of migration form. Compared to return migrants, circular migrants are more likely to be male, have primary education and originate from rural, less developed areas. Moreover, return migration seems to be determined by family reasons, a failed migration attempt but also by the fulfilment of a savings target.

**B93**

### **Return Migration and Occupational Choice**

*Florin Vadean, Matloob Piracha*

This paper explores the impact of return migration on the Albanian economy by analysing the occupational choice of return migrants while explicitly differentiating between self-employment as either own account work or entrepreneurship. After taking into account the possible sample selection into return migration, we find that the own account workers have characteristics closer to non-participants in the labour market (i.e. lower education levels), while entrepreneurship is positively related to schooling, foreign language proficiency and savings accumulated abroad. Furthermore, compared to having not migrated, return migrants are significantly more likely not to participate in the labour market or to be entrepreneurs. However, after a one year re-integration period, the effect on non-participation vanishes and that on entrepreneurship becomes stronger. As for non-migrants, the migration experience would have increased their probability to be entrepreneurs showing the positive impact of migration on job creating activities in Albania.

**B94**

### **Are Commuters in the EU Better Educated than Non-Commuters but Worse than Migrants?**

*Peter Huber*

We analyse the skill structure of commuters in 15 EU countries. Theory suggests that higher returns to education in receiving regions, shorter commuting distances and a greater importance of skill dependent commuting costs favour positive selection of commuters. Empirically all types of commuters in most EU countries are more skilled than non-commuters, internal commuters (in particular to capital city regions) are more strongly selected than cross-border commuters, selectivity of commuters reduces with distance commuted and cross-border commuters more often than migrants have an intermediary educational attainment but less often a completed tertiary education.

**C11**

### **Conflict, economic shock and child labour in Palestine**

*Michele Di Maio, Tushar Kanti Nandi*

This paper studies the impact of Palestine-Israel conflict on child labour in Palestine. The conflict has resulted in massive job loss of Palestinian workers in Israel. We estimate the probability that a Palestinian child starts working when the household suffer economic shock due to the intensity of conflict. The paper uses longitudinal employment survey from the Palestinian Labour Force Survey (LFS) for the period 1999 to 2006 to analyse the impact of household economic shocks on the employment transition of children (10-16 years) in Palestine. The particular economic shock we consider in this paper is the job loss of Pal-

estonian workers in Israel. Taking advantage of the rotating panel structure of the LFS, we compare households in which the head loses his job in Israel during 2 consecutive quarters with households in which the head is continuously employed in Israel. Probit regressions indicate that household head's job loss in Israel significantly increases the probability of child labour. The effect can be as large as 64% on the probability of working for 16 years old boys. In contrast, household head's job loss after a year does not have a significant effect, suggesting that the result is not due to unobservable characteristics of households that suffer the economic shock. The results suggest that economic shock for even relatively well-off households can have adverse consequence for children and highlights the importance of the Palestine-Israel conflict as an explanation of child labour dynamics in Palestine.

C12

### **Impact of Industrialization on Relative Female**

#### **Survival: Evidence from Trade Policies**

*Tanika Chakraborty*

Previous attempts at understanding the role of industrialization on son preference are confounded by the endogeneity of the industrialization process. This paper exploits an exogenous shift in the trade policy in India to study the impact of industrialization on son preference. Using a difference-in-differences strategy, I find that households are more likely to have a male child in regions with higher trade openness relative to regions with lower degrees of trade liberalization. Moreover, trade openness seems to have intensified son preference for Hindus but not for Muslim households. I further analyze the underlying mechanisms through which industrialization might have affected son preference. I find no significant evidence to suggest that household income or a change in female labor market opportunity is affecting relative female survival following trade liberalization. On the other hand, I find a significant increase in real dowry payments in regions experiencing greater trade openness. Most interestingly, dowry inflation is concentrated in the Hindu households, but not in the Muslim households. The results are robust to falsification tests using cohorts born much before the liberalization period and are not driven by systematic migration into areas with greater trade openness.

C13

### **Another Inconvenient Truth: Climate change and migration in sub-Saharan Africa**

*Jean-Francois Maystadt, Luca Marchiori, Ingmar Schumacher*

This paper analyzes the effects of climate change on international migration from a theoretical and empirical point of view. Theoretically, we extend the New Economic Geography model by Picard and Zeng (2005) that features rural-urban and international migration by allowing climate change to affect countries' agricultural sectors non uniformly. We find that, in the most likely parameter combinations, climate change induces out-migration through two channels, a direct one which is related to the consumer surplus and an indirect one which affects average wages. We then empirically assess the impact of climate change on international migration in an annual, cross-country panel data set for sub-Saharan Africa. We assess the direct and indirect effects of climate change on net migration through a system of equations. Our results suggest that climate change induces emigration through its indirect effect on the economic incentives to migrate. Consistently with the theoretical framework, we also find that when endogeneity is dealt with, urbanization is a pull-factor and therefore, mitigates the effect of climate change on international migration. Overall, changes in temperature and rainfall induced a displacement of about 2.55 million people in net terms over the period 1960-2000, corresponding to an annual average of 0.016% of the sub-Saharan African population. Towards the end of this century, predicted changes in temperature and rainfall would lead to an additional annual displacement of about 1.3 million people, representing about 0.26% of the sub-Saharan African population.

C14

**Overemployment, Underemployment and the opportunity cost of time: Building policy agendas for developing economies**

*Thomas Barre*

Focusing on individual labor market positions, this article proposes a new approach to elicit and measure constraints faced by rural households. Under market imperfections, individuals fail to equalize their hourly income to their shadow wage and become over- or underemployed. We estimate and explain this gap in a stochastic frontier framework for rural Vietnam. Both employees and farmers are found to fail in equalizing their hourly income to their shadow wage. Constraints faced by farmers are found to be stronger than that of employees: farmers' marginal revenue of labor is 3 times higher than their shadow wage while market wages earned by employees are 1.5 times higher than their shadow wages. Price risk is found to be the most important constraint faced by Vietnamese rural farmers while employees would benefit from the development of the road network.

C21

**Broke, ill, and obese: The causal effect of household debts on health**

*Hendrik Schmitz, Matthias Keese*

Household overindebtedness and debt-related financial distress have become a common phenomenon in many countries. Most likely, the recent credit crunch will push this trend forward. A precarious financial situation coincides frequently with health problems. However, the causal effect of household debts on health is widely unexplored. We analyze the effect of household indebtedness on health using data from the German Socio-Economic Panel from 2002-2008. To establish a causal effect, we rely on fixed-effects methods and a subsample of constantly employed individuals to rule out problems of reversed causality. We find severe indebtedness to be strongly correlated with bad self-rated health, mental health and overweight. Moreover, debts also causally deteriorate physical and mental health. However, we find no causal effect on being overweight.

C22

**The effect of self-assessed job security on the demand for medical rehab**

*Arndt Reichert, Boris Augurzy, Harald Tauchmann*

The interdependence of labor market conditions and the demand for health care has been addressed by several theoretical and empirical analyses. We contribute to the debate by empirically examining the effect of a decrease in self-perceived job security on health care utilization. That is, employees at risk of losing their job might postpone or even try not to use non-acute rehab measures in order to reduce their individual risk of being laid off by avoiding absenteeism and signaling good health. We use individual-level data from the German Socioeconomic Panel for the years 2003, 2004, and 2006. The identification strategy rests on an instrumental variable approach where the county unemployment rate and its relative change compared to the previous year serve as instruments for the employees' self-assessed risk of losing their jobs. Contrary to the hypothesis, we have evidence for job insecurity increasing the demand for medical rehab. This finding is robust to various model variants.

C23

**The causal effect of income on health: Investigating a policy reform in Austria**

*Mario Schnalzenberger*

Do high income earners really live longer than mean income earners? Using data from the Austrian social security records from 1972-2009, I investigate on the effect of income on seven-year mortality rates of retirement candidates. Disability retirees, who retired after the abolition of a special type of early retirement, but who would have fulfilled its (much stronger) requirements are compared to the early retirees of this special type before its abolition. Under the early retirement regime they got up to 25 % more gross income than after its abolition. The average reduction of gross income in the data was 15 %. Preliminary

results show, that this reduction in income decreased the seven-year survival probability of retirees by about 4-5 percentage points from 92 to 88 percent. This is an increase of about 50 percent in mortality, and the results are in line with some of the literature. In addition, the rich data on income path and health history coming from the administrative sets, allows several sensitivity checks and matching.

C24

### **Natural Experiment Evidence on the Effect of Migration on Blood Pressure and Hypertension**

*Steven Stillman, John Gibson, David McKenzie, Halahingano Rohorua*

Over 200 million people worldwide live outside their country of birth and typically experience large gains in material well-being by moving to where wages are higher. But the effects of this migration on other dimensions of well-being such as health are less clear and existing evidence is ambiguous because of potential for self-selection bias. In this paper, we use a natural experiment, comparing successful and unsuccessful applicants to a migration lottery to experimentally estimate the impact of migration on health, specifically focusing on measured blood pressure and hypertension. We use various econometric estimators to place bounds on the treatment effects since there appears to be selective non-compliance in the natural experiment. Even with these bounds the results suggest significant increases in blood pressure and hypertension, which are likely to have implications for future health budgets given the recent increases in immigration.

C31

### **Unilateral Divorce vs. Child Custody and Child Support in the US**

*Miriam Marcén, Rafael González-Val*

There is extensive literature examining changes in divorce rates focusing on the effects of changes in divorce laws. Previous analysis omits reforms that introduced changes in divorce settlements. This might in somehow obscure the impact of unilateral reforms on divorce rates. In this paper, we extend on the previous analyses offering insights on the impact of unilateral divorce on divorce rates after controlling for several reforms of aspects of law relevant to divorce. We introduce both joint custody law reforms and Child Support Enforcement efforts. Our results suggest that those reforms play an important role in explaining the behaviour of divorce rate in the 1980s and 1990s. Supplemental analysis, developed by exploiting time-series analysis, also suggests that what is driving the evolution of the divorce rate in the 1980s and 1990s is a shock that had a negative effect on divorce. This seems to confirm that unilateral divorce reforms do not have a negative effect on divorce rate in the long run. After ten years of the implementation of unilateral reforms, what seem to conduct the evolution of divorce rates are those reforms on the laws that govern the aftermath of divorce.

C32

### **Determinants of Maternity Leave Duration in Australia: Evidence from the HILDA Survey**

*Aydogan Ulker, Cahit Guven*

We use the first five waves of the HILDA survey to examine the determinants of the maternity leave (both paid and unpaid) taken by pre-birth employed mothers in Australia. We find that the difficulties faced by mothers of newborn babies in finding an appropriate child-care in terms of both cost and quality hinder their ability to return to the labour market on time following the birth. Maternity leave rights, by inducing workplace or labour market attachments, lead to an earlier return to the labour market, relative to those who have no leave rights at all. Mothers who had higher hourly wages in their pre-birth employments tend to return to the labour market more quickly than their lower wage counterparts. These results suggest that higher pre-birth wage levels also induce workplace or labour market attachments. The flexibility of pre-birth jobs in terms of day or hour arrangements or special leave

entitlements also seems to facilitate the mothers' return to work earlier than average. On the other hand, household wealth seems to lead to mothers taking a longer maternity leave in order to look after the newborn child. That is, mothers who have higher wealth levels can "afford" to stay on maternity leave longer, in order to better nourish and look after their children. We believe that the findings of this paper provide strong insights for the current policy debate regarding universally paid maternity leave.

C33

### **Human Capital Diversification within the Household. Findings from Rural Tanzania** *Helene Bie Lilleør*

Lack of primary schooling among rural children in developing countries is often attributed to credit constraints and household demand for child labour, implying that direct and indirect costs of schooling are high. Surprisingly few studies have considered the importance of parents' expected returns of investing in their children's human capital, despite the fact that most parents rely on their children for old-age support and subsistence. In this paper, I propose an alternative model for human capital investment based on the household, rather than the individual child, incorporating the fact that parents bear the costs of educating all their children and face uncertainty about the level and share of future returns. This uncertainty can make it optimal for parents to ensure a certain degree of human capital diversification within the household. The model implications allow me to test whether it is the need for diversification or the costs of schooling that dominate the human capital investment decision in rural households. Using extraordinary long panel data from a rural region in Northwestern Tanzania, I find strong empirical evidence of diversification effects for rural sons, but not for rural daughters. Exactly in line with what should be expected for a patrilineal society. This can potentially have far reaching policy implications.

C34

### **Unintended Consequences of Welfare Reform: The Case of Divorced Parents** *Helmut Rainer, Marco Francesconi, Wilbert van der Klaauw*

This paper formulates a model to examine the effects of changes in tax-benefit policy on the behavior of divorced parents and the well-being of children in single-parent households. Noncustodial parents choose the level of a child support payment to transfer to custodians. These, in turn, decide over child good expenditures and the allocation of time between market work and parenting. In general, ex-spouses fail to achieve an efficient allocation of their resources. On the custodial side, there are inefficiently high levels of labor supply and inefficiently low levels of expenditures on child goods, while on the noncustodial side child support payments are suboptimally low. Our results rationalize the adverse effects that welfare reforms might have on divorced parents and their children. Such adverse effects may arise because an increase in the custodian's effective wage, either through lower marginal income tax rates or higher childcare subsidies, reinforces the inefficiencies of divorced parents' decisions: that is, such an increase further depresses child support transfers from noncustodial parents and induces custodial parents to work even more. We explore several extensions of this model, link our findings to the existing empirical literature on the impacts of welfare reform, and discuss the implications of our results for policy and further economic analysis.

C41

### **Does Parents' Education Matter for Children's Education? Evidence from Compulsory Schooling Reforms in Germany** *Marc Piopiunik*

Children of low-educated parents tend to end up with low education as well. If parental education has a causal effect on child's education, then improving parents' education might be one possibility to improve the educational success of low-ability children. This paper exploits compulsory schooling reforms that affected low-ability students and were imple-

mented in all West German states between 1946 and 1969. This provides both regional and time-series variation in the amount of required schooling to identify causal effects of an additional year of parents' schooling on their children's education in a differences-in-difference framework. I find that mother's education affects the education of her son but not of her daughter, and that father's education seems to have no effect on his children's education. Concerning policy implications, the findings suggest that one way to improve the educational outcome of low-ability children is to focus on future mothers in their youth by improving their education before they give birth.

**C42**

### **Outcomes for children of unknown fathers**

*Marianne Sundström, Anders Björklund, Karin Hederos Eriksson*

When analyzing intergenerational income mobility there is one group of individuals for whom mobility cannot be assessed, namely the children of unknown fathers. To what extent does this omission bias the results? The answer depends, of course, on whether these children do better or worse in life than the average person. Although there are children without a registered father on their birth certificate in all countries, very little is known about them and how they fare in life. We use unique data from the Swedish Multigenerational Register combined with information from the Censuses as well as educational and income registers at Statistics Sweden to study the background and adult outcomes of these children compared to those of children with known biological parents. Our random sample comprises about 427,000 individuals born in 1955-1967 to Sweden-born parents, of which almost 8,000 have an unknown father. We measure outcomes by educational attainment, that is, years of schooling and completion of high school (gymnasium), earnings and longevity. We find that these children had very young mothers and that a large fraction of them were given away for adoption. Preliminary findings indicate that they incur adverse outcomes to a much greater extent than other children. They are, for example, more likely to die before the age of 45 and to have missing values on years of schooling and annual earnings. But, interestingly, the children of unknown fathers who grew up with adoptive parents do not seem to have adverse outcomes.

**C43**

### **Unequal Entry to Motherhood and Unequal Child Cognitive and Behavioural Outcomes: Evidence from the UK Millennium Cohort**

*Denise Hawkes, Heather Joshi*

The timing of motherhood in the UK has become increasingly socially polarised over time. Early motherhood often occurs among those who have been raised in disadvantaged circumstances whilst later motherhood is associated with having had better upbringings and having taken advantage of the education system. This paper considers the potential impact on her children of the divergence in the family life marked by the age at which a woman becomes a mother for the first time. Using the UK Millennium Cohort Study, we present evidence on the impact of the timing of a mothers' first birth on cognitive and behavioural outcomes of the cohort child. These outcomes are measured in the third sweep of the MCS when the cohort members are five years old. We control for some of the life course experience of the cohort child's mother, and then also circumstances in the child's first year. We demonstrate that much of the difference observed between the cognitive and behavioural outcomes of the children of young and older mothers is the consequence of either their mothers' disadvantaged social origins, or disadvantages apparent at the time of the first survey, which may also have had earlier origins. There is only a small degree of developmental penalty left to be attributed to the mother's age per se.

C44

### **Low educational attainment in Portugal – intergenerational transmission of a big problem**

*Pedro Telhado Pereira*

The lack of formal education and competences of the Portuguese workers is one of the biggest problems of the country. This lack is not shrinking at the wanted speed and the young generations still lag far behind the ones in other OCDE countries. This paper studies the intergenerational transmission of education achievement, in particular higher education completion, trying to see the influence of parents education and labor market conditions while the child was growing up in their future attainment. We conclude that the education of the parents is very important even if it is only one of them that has it. This influence seems not to be independent of the gender of the parent that has it. The fact that the parents face unemployment has a negative effect on the educational achievement of the child. Females perform better than males, but the gap decreases if the father has low education or is facing unemployment problems.

C51

### **Polarization and Rising Wage Inequality - Comparing the U.S. and Germany**

*Dirk Antonczyk, Thomas DeLeire, Bernd Fitzenberger*

In this paper, we estimate trends in wage inequality in the U.S. and in Germany. Building on the approach suggested by MaCurdy and Mroz (1995), we separately identify lifecycle wage profiles, macroeconomic shifts, and cohort wage effects. We find that between 1979 and 2004, there was widening wage dispersion in both the U.S. and Germany. However, there are many distinct patterns of this widening across the two countries. For example, in the U.S., since the 1990s, we see faster wage growth at the top (80th percentile) and bottom (20th percentile) than at the median of the wage distribution, which might be interpreted as evidence of polarization, but we see hardly any evidence of wage polarization in Germany after the mid-1980s. Moreover, we see a large role played by cohort effects in Germany - suggesting a role for supply-side effects - while we observe only small cohort effects in the U.S.. Because of these differences in the patterns of wage dispersion across the U.S. and Germany, an explanation that should be common across the two countries, such as skill-biased technological change (SBTC), cannot alone support the empirical findings. A more promising approach in order to explain changes in wage-inequality over time might thus be to consider to a larger extent the interaction between labor market institutions, supply-side effects, and SBTC.

C52

### **Using Social Security Data to Estimate Earnings Inequality**

*Laura Hospido, Stéphane Bonhomme*

In this paper we use Social Security Data to characterize the evolution of wage inequality in Spain from 1980 to 2007. We use detailed administrative information on labor earnings and employment at a monthly frequency. As is common in administrative records, our measure of labor earnings is top and bottom-coded. To recover wages for those capped observations we use several estimates of the marginal distributions. In addition, we use the panel structure of the data to impute wages for the non employed. This correction would be specially relevant in the case of Spanish women.

C53

### **Measuring segregation when units are small: a parametric – yet useful – approach**

*Roland Rathelot*

The usual concentration indices – dissimilarity, Theil or Gini – do not behave well when the units on which their computations are based contain few individuals. This study starts by assessing the extent of the bias, that increases when the sample size decreases and when the proportion of the population is closer to zero or one. Assuming a beta model on the

probabilities for an individual of a given unit to belong to the group of interest, a method is proposed to compute unbiased estimates of the concentration indices, along with intervals of confidence. Simulations show that this new method is robust to misspecification, and performs well with, for instance, truncated normal or even discrete models. An application to residential segregation in France by parents' nationalities is then proposed.

**C54**

### **Identification Problems in GMM Estimation of the Covariance Structure of Earnings**

*Aedin Doris, Donal O'Neill, Olive Sweetman*

The last decade has seen rapid growth in the number of empirical studies that distinguish between two components of aggregate inequality: inequality that reflects differences across individuals due to permanent characteristics and inequality arising from transitory shocks. Most of these studies have combined panel data with the Generalised Method of Moments estimator to estimate the parameters of interest. Moffitt and Gottschalk (2008) draw attention to the fact that identification of the parameters of this model requires a long panel. However, there has been no study that provides a detailed analysis of identification of the GMM estimator under the conditions typically encountered in earnings panel data. In this paper, we fill this gap by examining the sensitivity of parameter identification to key features such as panel length, number of observations and the degree of persistence of earnings shocks. We show that, when earnings shocks have high persistence, a panel such as the European Community Household Panel with only eight years of observations will not yield satisfactory results. We experiment with panels of different lengths to determine the minimum panel length needed. Using both analytical and Monte Carlo techniques, we also draw attention to another identification problem that occurs, this time when earnings shocks have low persistence. We show that the standard asymptotic results for a number of the structural parameters are not applicable in this case. However, even with short panels, we show that the estimator provides reasonable predictions of the key, policy-relevant features of the model.

**C61**

### **Effects of Job Mobility on the Unemployment Risk**

*Arjan Heyma, Jurriaan Prins*

Job mobility is often assumed to increase the employability of individuals. Labour market policy therefore often include measures that stimulate individual job mobility. However, this paper shows that voluntary job mobility has no effect on employability at all, when employability is measured by the individual unemployment risk. At the same time, higher involuntary job mobility in the past is significantly correlated with a higher unemployment risk, which may point at correlation between low employability in the past and present. The potential bias of this reversed causality is reduced by including unique information on individual employability levels from a long time panel survey, covering more than 20 years of individual labour market histories, and by accounting for unobserved heterogeneity in employability levels. This paper is the first to model the effect of job mobility on the unemployment risk instead of the other way around. It thus makes an important contribution to the political discussion concerning job mobility and the need for a flexible labour force.

**C62**

### **Demand shocks or mismatch: what's behind labour mobility?**

*Priscila Ferreira*

Recent studies have reported increasing rates of interindustry labour mobility and characterise the consequences of this type of job mobility. However, few attempt to identify the mechanisms generating interindustry job mobility. This paper adds to the existing literature on the sources of between-industry job mobility and within-industry job mobility by investigating the relative importance of sectoral shocks and mismatch. We conclude that match heterogeneity is more important than sectoral shocks in determining between industry job

mobility, while sectoral shocks are more important than mismatch in determining within industry job mobility. Our results are consistent with the existence of industry-specific skills and segmented labour markets whereby mobility across sectors is limited and adjustments to sectoral shocks is slow.

C63

### **Does the design of the Unemployment Insurance System increase labor market rotation in Spain?**

*Yolanda Rebollo*

The purpose of this paper is to identify the influence of economic incentives related to the design of the UI system on the individual employment and unemployment spells. Building on Spanish register data covering the whole labour market history of workers, we first analyse transitions out of jobs assuming that the incentives embedded in the UI system affect differently when the outflow from employment is due to a layoff that when is due to a quit. Secondly, those that enter the unemployment pool, are then subject to an additional transition rate analysis, either back to work to the same firm or to a different firm. We find that the UI system notably affect both, employment and unemployment duration. When the employees become entitle to receive unemployment benefits, the layoff hazard rate increases. Similarly, when the worker exhausts unemployment benefits the outflow from unemployment increases, and in certain cases, especially when the worker returns to the same firm. Hence, the UI system might favour labour market rotation in general, and in particular, the presence of temporary layoffs.

C64

### **Labor Market Entry Conditions, Wages and Job Mobility**

*Thomas K. Bauer, Ronald Bachmann, Peggy David*

Economic conditions at the time of labour market entry can induce wage differentials between workers entering the labour market at different points in time. While there exists much empirical evidence on the existence and persistence of the effects of labour market entry conditions, little is known about their interaction with employees' mobility behaviour. Using German administrative data, this paper analyzes the determinants of job mobility, emphasizing the role of initial wage gaps. The analysis suggests that the effects of entry conditions play an important role in explaining job transitions. Labour market entrants earning less than the average starting wage are more likely to change jobs, directly as well as indirectly. Moreover, labour market transitions tend to reduce the effects of entry conditions, implying that job mobility operates as an adjustment mechanism that reduces the initial wage differences between workers.

C71

### **Shocks in Retirement Expectations and Subjective Well-being: Evidence from a Natural Experiment**

*Raymond Montizaan, Maarten Vendrik*

This study investigates the impact of a substantial reform of the Dutch pension system on individual well-being of workers nearing retirement age. The reform implies that public sector workers born on January 1, 1950, or later face a substantial reduction in their pension rights while workers born before this threshold date may still retire under the old, more generous rules. We employ a unique matched survey and administrative panel data set comprising male public sector workers born in 1949 and 1950 and find strong and persistent ex ante effects on life and job satisfaction. The impact of the reform on life satisfaction is sizable compared to income effects on well-being. We find that the drop in satisfaction is strongly affected by social comparison with colleagues. Treated workers are less affected by the reform when the size of the treatment group is larger in the organization where they are employed, and they compare their own replacement rate with the average replacement of

comparable individuals in their organization. Finally, consistent with the literature on joint retirement among dual-career families, we find that the treatment of their spouse also significantly impacts the well-being of the men in our sample.

**C72**

### **Are the faithful happier? Happiness in Israel, Effects of Religion, Origin, and War** *Dmitri Romanov, Bernard M.S. Van Praag, Ada Ferrer-i-Carbonell*

We analyze individual satisfaction with life as a whole and satisfaction with the personal economic situation of Israeli citizens of Jewish and Arab descent. Our data set is the Israeli Social Survey (2006, 2007). We are especially interested in the impact of the religions Judaism, Islam and Christianity, where we are able to differentiate between individuals who vary in religiosity between atheist and ultra-orthodox. We find a significant effect of religion on happiness. Most striking is the differential impact of family size on both life and economic satisfaction. The Jewish population is happier than the Muslims, with the Christian Arabs in between. First-generation immigrants are less happy than second-generation immigrants, while there is no significant difference between second-generation families and native families. The effect of the Lebanon War is much less than expected

**C73**

### **The Effect of Subsidized Employment on Happiness: Evidence from Germany** *Benjamin Crost*

While a large body of evidence suggests that unemployment and self-reported happiness are negatively correlated, it is not clear whether this reflects a causal effect of unemployment on happiness and whether subsidized employment can increase the happiness of the unemployed. To close this gap, I estimate the causal effect of a type of subsidized employment projects - Germany's Arbeitsbeschaffungsmassnahmen - on self-reported happiness. Results from a nearest-neighbor matching estimator suggest that subsidized employment has a large and statistically significant positive effect on the happiness of individuals who would otherwise have been unemployed. Detailed panel data on pre- and post-project outcomes suggests that the effect is not due to self-selection of happier individuals into the projects and cannot be explained by increases in household income.

**C74**

### **Unhappiness and job finding rates** *Anne Gielen, Jan Van Ours*

It is well-known that many workers experience a large drop in life satisfaction when they become unemployed. In this paper we investigate how this drop in life satisfaction affects their job finding rate. Using GSOEP data we find that indeed both male and female unemployed who experienced a drop in life satisfaction find a job much quicker than those who do not experience a drop in life satisfaction. We also find that the post-unemployment wages are unrelated to the drop in life satisfaction suggesting that the higher job finding rate is achieved through higher search intensity and not through a reduction in reservation wages.

**C81**

### **Day-Care Attendance And Child Development: In How Far Does The Quality Matter?**

*Robert Baumüller, Mette Gørtz, Astrid Würtz Rasmussen*

Earlier research suggests that children's development is shaped in their early years of life. This paper examines whether differences in day-care experiences during pre-school age are important for children's cognitive and language development at the age of 15. The analysis is based on class performance at the end of elementary schooling. We assess the effects of attended types and qualities of day-care institutions on various child outcomes as measured by school grades in mathematics, science, English and Danish for the whole Danish population as well as outcomes from the 2006 PISA Denmark survey and a 2007 PISA Copen-

hagen survey. We use administrative registries to generate indicators such as child-staff ratios, child-pedagogues ratios, and the share of male staff and of staff with non-Danish origins. Furthermore, we use information on the average levels of educational attainments, of total work experiences, ages and hourly wages of staff members. Those indicators show the expected correlations with children's development outcomes, better day-care quality being linked to better child outcomes ten years later. We use rich administrative information about the children's background as well as an instrumental variable approach based on wider geographic area aggregates to test whether those correlations reveal unbiased causal effects. The identification of truly effective quality characteristics of day-care centres enhances policymakers' resource allocation to make all children getting ready for school.

C82

### **How Does Early Child Care affect Child Development?**

#### **Learning from the Children of German Unification**

*Christina Felfe, Rafael Lalive*

This paper studies the role of early center-based child care (age 0-3) for the development of a wide range of skills. The identification strategy uses historical variation in regional child care rates in Germany to address selection into center based care. While differences in parenting style across Germany may be confounding the effect of center based care, our analysis indicates that such differences are largely absent among the generation raising children today. Center-based care improves language skills, every day skills, social skills, behavior but neither motor skills nor personality among 2 to 3 year old children. For 5-10 year old children, we find that children with some exposure to early formal care improve in terms of non-cognitive skills and school grades.

C83

### **Child Care Subsidies and Child Well-Being: An Instrumental Variables Approach**

*Erdal Tekin, Chris Herbst*

In this paper, we provide a systematic assessment of the association between subsidy receipt and a wide range of child outcomes. To deal with the endogeneity of subsidy receipt, we use a unique instrumental variables method that exploits variation in the distance that low-income families must travel from home in order to reach the nearest welfare or child care agency. In particular, we calculate the distance between survey respondents' census tract of residence and the location of the relevant public agency at which families can apply for child care subsidies. Doing this involved the laborious and time intensive task of creating a data base of the locations of social welfare agencies for every county in every state in the United States. We assume that the distance between respondents' addresses and these agencies is inversely related to the likelihood of receiving a subsidy. Parents who live farther away from these agencies face higher transportation and psychic costs than those who live closer. Many of these costs are compounded by states' mandatory recertification process, in which parents must undergo eligibility re-screening every six or 12 months. Drawing on rich data from the Early Childhood Longitudinal Study, we find negative effects of child care subsidy receipt on child development. In particular, our results suggest that subsidy receipt in the year before kindergarten lowers reading and math test scores and results in greater behavior problems at kindergarten entry.

C84

### **Age at Preschool Entrance and Noncognitive Skills before School - An Instrumental Variable Approach**

*Martin Schlotter*

We estimate the effect of age at preschool entrance on crucial noncognitive skills in the year before school start. By using an instrumental variable approach and exploiting cut-off dates for the time at preschool entrance we find that children entering preschool earlier in life have better social skills in terms of being more assertive and being more able to form

friendship. Hence, our results offer general empirical evidence for the non-linearity in the skill formation process. Moreover they show that entering preschool at an early age is an important prerequisite for the development of social and academic school readiness.

**C91**

### **Migration and Networks: does education matter more than gender?**

*Sara Salomone, Michel Beine*

This paper looks at the impact of networks on international migration flows to OECD countries. In particular, we look at whether diaspora effects are different across education levels and gender. Using new data allowing to include both dimensions, we are able to analyze the respective impact of networks on the proportion of each category of migrant. Therefore, unlike the preceding literature on macro determinants of international migration, we can ascribe the factors that influence the selection in terms skills and in term of gender. We found that network effects vary by education level but not by gender. Women are also found to be less directly dependent on migration costs unrelated to networks such as the distance.

**C92**

### **Return migration and entrepreneurship in rural China: The case of Wuwei county**

*Hui Xu, Sylvie Démurger*

This paper analyzes return migrants' occupational choice upon their return to their home village, by using an original rural household survey conducted in Wuwei county (Anhui province, China) in 2008. We apply two complementary approaches: a horizontal comparative analysis of occupational choice between non-migrants and return migrants, and a vertical investigation of the impact of migration experience on returnees only. Two main findings are drawn up from the estimation of probit models which account for potential selection bias and endogeneity. First, return migrants are more likely to be self-employed and to opt for higher ability jobs than non-migrants. Second, both return savings and the frequency of job changes during migration increase the likelihood for return migrants to become self-employed. These findings suggest that (a) working experience during migration enhances individual's skill level and entrepreneurial ability, and (b) repatriated migration experience is a key stimulating factor in promoting rural entrepreneur activity.

**C93**

### **Migration After the 1997 Indonesian Crisis: Did Economic Losers Move?**

*Abla Safir, Kathleen Beegle*

The Indonesian 1998 financial crisis sparked a lot of speculation on migration. In this paper, we use regional variation in inflation, interacted with income sensitivity to inflation to estimate a causal impact of a change in consumption induced by the crisis on migration. The specific group we examine is that of government workers. We take a difference-in-difference approach comparing government workers across inflation areas to non-government income earners across inflation areas. In inflationist areas, government workers experienced a relative dramatic drop in consumption. In addition, we conduct descriptive analysis on the migration of construction workers, a group that was expected to be both hurt by the crisis and migrate. While we find an increase in migration throughout the period, and in fact as early as 1997, we do not find a relatively higher migration rate among government workers in high inflation areas. Neither do we find that construction workers were relatively more likely to migrate or more likely to move to rural areas, when compared to other income earners. Households particularly hurt during the crisis did not out-migrate more than households less hurt, hinting towards a limited use of migration as a coping mechanism.

## Labour Market Status and Migration Dynamics

*Govert Bijwaard*

In this empirical paper we assess how labour market transitions and out- and repeated migration of immigrants are interrelated. We estimate a multi-state multiple spell competing risks model with four states: employed, unemployed receiving benefits, out-of-the-labour market (no benefits) and abroad.

For the analysis we use data on recent labour immigrants to The Netherlands, which implies that all migrants are (self)-employed at the time of arrival. We find that many migrants leave the country after a period of no-income. Employment characteristics and the country of origin play an important role in explaining the dynamics. Microsimulations of synthetic cohorts reveal that many migrants experience unemployment spells, but ten years after arrival only a few are unemployed. Scenario's based on microsimulation indicate that the Credit Crunch will not only increase the unemployment among migrants but also departure from the country. Scenario's also indicate that an increase in the number of migrants from the EU accession countries will lead to higher labour market and migration dynamics. Finally, based on microsimulation we do not expect that the recent simplification of the entry of high income migrants will have a lasting effect, as many of those migrants leave fast.

## Food Prices and Overweight Patterns in Italy

*Luca Salmasi, Luca Pieroni, Donatella Lanari*

In this paper we examine the role of relative food prices in determining the recent increase in body weights in Italy. Cross-price elasticities of unhealthy and healthy foods estimated by a demand system provide a coherent framework to evaluate substitution effects if a close association is assumed between unhealthy (healthy) foods and more (less) energy dense foods. We use a dataset constructed from a series of cross-sections of the Italian Household Budget Survey (1997-2005) to obtain the variables of the demand system by a regional price index. We find that the relative growth of healthy food prices produces nontrivial elasticities of substitution towards a higher relative consumption of unhealthy foods with effects on weight outcomes. Additionally, these changes are unevenly distributed among individuals and result particularly relevant for those who are poorer and with a lower education.

## Is Posner right? An empirical test of the Posner argument for transferring health spending from old women to old men

*Christoph Wunder, Johannes Schwarze*

Posner (1995) proposes the redistribution of health spending from old women to old men to equalize life expectancy. His argument is based on the assumption that women's utility is higher if they are married. Thus, extending the lifespan of men would benefit women. Using life satisfaction data from the German Socio-Economic Panel Study (SOEP), we conduct an empirical test of this assumption. We apply a two-step estimation strategy: first, we use a propensity score matching approach to generate a control group of non-widowed women. The average level of life satisfaction in the control group serves as a reference to measure the degree of adaptation to widowhood. In the second step, the life satisfaction trajectories of both groups are estimated using penalized spline regressions. The results suggest bereavement has no enduring effect on life satisfaction, and that falsifies Posner's assumption.

D13

**Average and distributional effects of the American Folic Acid Fortification: an evaluation in a quasi-experimental framework**

*Elena Fumagalli*

The American program of folic acid fortification has increased the average amount of serum folate in the population and as such is deemed a successful public health intervention. We consider the effect of the fortification in a quasi experimental framework, evaluating also its distributional effects, to study the problem of folic acid overconsumption. We use several waves of the National Health and Nutrition Examination Survey (NHANES) to assess the effect of fortification on inequalities both in serum folate and in Vitamin C concentration, used as a proxy of the changes in nutritional habits. We find a reduction in inequality of both nutrients, thus suggesting that part of the increase in average serum folate concentration can be explained by changes in diet. We focus in particular on the effect of the consumption of fortified ready-to-eat cereals finding a strong selection into treatment mainly based on race-ethnicity. We compute the average treatment effect by using matching methods to solve the problem of selection on observables. In addition, we assess the impact of the fortification on the entire distribution of the treatment by computing quantile treatment effects on serum folate concentration, both under the assumption of rank invariance and relaxing it. We find a significant variability in the impact distribution, thus rejecting the common effects model. Finally, we correct our estimates by controlling for the change in dietary patterns, using the concentration of beta-carotene as a proxy.

D14

**The effect of private health insurance on medical care utilization and self-assessed health in Germany**

*Tobias Klein, Patrick Hulleigie*

In Germany, employees are generally obliged to participate in the public health insurance system, where coverage is universal, co-payments and deductibles are moderate, and premia are based on income. However, they may buy private insurance instead if their income exceeds the compulsory insurance threshold. Here, premia are based on age and health, individuals may choose to what extent they are covered, and deductibles and co-payments are common. In this paper we estimate the effect of private insurance coverage on the number of doctor visits, the number of nights spent in a hospital and self-assessed health. Variation in income around the compulsory insurance threshold provides a natural experiment that we exploit to control for selection into private insurance. We document that income is measured with error and suggest an approach to take this into account. We find negative effects of private insurance coverage on the number of doctor visits and no effects on the number of nights spent in a hospital and health.

D21

**Size Matters: The Impact of Changes in Household Structure on Income Distribution in Germany**

*Nico Pestel, Andreas Peichl, Hilmar Schneider*

In Germany, two observations can be made over the past 20 years: First, income inequality has been constantly increasing while, second, the average household size has been declining dramatically. The analysis of income distribution relies on equivalence-weighted incomes which take into account household size. Therefore, there is an obvious link between these two developments. The aim of the paper is to quantify how the trend towards smaller households has influenced the change in income distribution. In order to do so, we are using a decomposition of changes in inequality measures over time allowing for a separation between wage and demographic effects respectively. We propose similar decompositions for the change in poverty and richness as well and contrast them with results that were obtained by re-weighting procedures. Our results show that the income gap would also

have increased without the demographic trend. But its level would be noticeably lower than it actually is. In addition, the demographic effect turns out to be larger for incomes before tax and benefits.

**D22**

### **Public-Private pay differentials in Vietnam**

*Clement Imbert*

This paper compares wages and non wage benefits earned by Vietnamese public employees to earnings in the (mostly informal) the private sector from 1993 to 2006. We document the fact that the advantage of public sector workers didn't decrease, but rose considerably after the transition to market economy. To explain this rather counterintuitive finding we use a simple, yet innovative method to decompose public private sector earnings differences. We distinguish between the effect of changes in workers characteristics and that of changes in returns to these characteristics in the two sectors. Panel data techniques allow us to take into account the effect of unobserved workers characteristics along with observable ones. We argue that selection is important to explain public private differences but does not explain the observed increase in the public wage premium ; rather change in the returns to skills is the driving factor. We interpret these findings as a consequence of the twofold choice made by the Vietnamese government to promote public enterprises and services as a motor for Vietnam's industrial development and to favor the interests of public employees whose economic status was threatened by the reform process.

**D23**

### **The public sector pay gap in Italy**

*Domenico Depalo, Raffaella Giordano*

This paper investigates the public-private sector pay gap using Italian micro data, covering the period 1998-2008. We study the entire conditional distribution of wage, through quantile regression, controlling for the possible sorting of individual between one sector or the other. The evidence shows the existence of a positive wage differential for public sector workers, even after controlling for observable characteristics, over all in the southern regions, for women and for low skill. The overall gap changes with quantiles, but ranges between 13--16% for women and 6% or lower for men and much higher when possible sorting is considered.

**D24**

### **Distributional effects of non-cash incomes in seven European countries**

*Panos Tsakloglou*

Most empirical distributional studies rely on distributions of disposable income. From a theoretical point of view this practice is contentious since a household's command over resources is determined not only by its spending power over commodities it can buy in the market but also on resources available to the household members through non-market mechanisms (in-kind provisions of the welfare state, private non-cash incomes, etc). The paper examines the combined effects of including three of the most important non-cash incomes enjoyed by private households in the concept of resources in seven European countries (Belgium, Germany, Greece, Italy, Ireland, Netherlands, UK): imputed rent, public education services and public health care services. Further, limited evidence is presented on the likely distributional effects of home production and fringe benefits. The empirical results show that, in a framework of static incidence analysis, the inclusion of these non-cash income components in the concept of resources leads to a substantial decline in the measured levels of inequality and poverty. Nevertheless, this inclusion does not lead to either substantial change in the ranking of the countries according to their level of inequality or significant changes in the structure of inequality. The welfare interpretation of some of the findings is not straightforward, especially regarding the universally provided public health

and education services that have a strong life-cycle pattern. If adjustments are made to the equivalence scales to take account of differences in needs for health and education services, the distributional effects appear to be far more modest.

D31

### **Race and Income Distribution: Evidence from the US, Brazil and South Africa**

*Carlos Gradin*

The aim of this paper is to provide some empirical evidence about black-white differentials in the distribution of income and wellbeing in three different countries: Brazil, US and South Africa. In all cases, people of African descent are in a variety of ways socially disadvantaged compared with the relatively more affluent whites. We investigate the extent of these gaps in comparative perspective, and analyze to what degree they can be explained by differences in the observed characteristics of races, such as where they live, the types of household they have, or their performance in the labor market. We undertake this analysis with the Oaxaca-Blinder approach at the means and with the DiNardo-Fortin-Lemieux approach at the entire distribution. Our results show how the factors underlying the racial divide vary across countries and income quantiles.

D32

### **“They all look the same to me” Cognitive Biases in Cross-Race Re-identification and Discrimination**

*Michele Belot*

This study provides a first set of experimental results highlighting a new mechanism for racial discrimination, based on a cognitive limitation in facial re-identification across races. Specifically, I study the joint recall of faces and payoff-relevant information and show that recall is less efficient across races than within race and results in racial discrimination. East-Asian and White subjects see an equal number of pictures of East-Asian and White faces and each face is mapped to a payoff-relevant value. Incentives are provided to recall faces associated with higher values. We observe a clear asymmetry in the accuracy of recall: High value faces are more accurately recalled within race than across races. These inaccuracies lead to negative racial discrimination at the top of the value distribution and positive discrimination at the bottom. On the other hand, I also show that if race is a scarce attribute - if there is only a small number of pictures of East-Asians, race serves as an obvious marker of identity and re-identification is substantially improved. These results raise new questions on the implications of such cognitive biases for the nature of cross-racial relations, in particular for phenomena relying on reidentification, such as the formation and maintenance of social ties, the establishment of trust and the sustainability of cooperation.

D33

### **Intra-Firm Wage Differentials between German and Non-German Employees**

*Clemens Ohlert, Miriam Beblo, Elke Wolf*

In this paper, we analyse the wage differentials between employees of German and Non-German nationality using linked employer-employee data (LIAB) for the period 1996 to 2007. By focussing on the establishment level, we explicitly consider the heterogeneity of wage setting processes within firms. Our results show that the absolute pay gap within firms (of 11.3 percent on average) is about 5 percentage points smaller than the pay gap on the labour market as a whole, thus pointing to a sorting of Non-German workers into low-paying firms. The observed wage differentials are for the most part (8.8 percentage points) explained by differences in education and work experience. When distinguishing between subgroups we find the unexplained wage gap for immigrants from transition countries (predominantly Eastern Europe and Asia) to be larger on average than for immigrants from guest worker countries. A subsequent analysis of the relationship between selected firm characteristics and the unexplained intra-firm wage differentials reveals that Non-German

employees face significantly lower wage discounts in firms with a high share of exports, a high share of Non-German employees and those covered by collective bargaining agreements.

**D34**

### **Sexual Prejudices, Discrimination and Segregation**

*Erik Plug, Dinand Webbink, Nick Martin*

In this paper we test whether employee discrimination against gay and lesbian workers leads to workplace segregation. Using data on sexual orientation, sexual prejudice (also called heterosexism or homophobia) and labor market outcomes from Australian Twin Registers, we find that (a) gays and lesbians shy away from prejudiced occupations; and (b) prejudiced straight workers avoid workplace contact with gay and lesbian workers. Our segregation results are robust to observed and unobserved productivity differences. Since employee discrimination against gay and lesbian fellow workers cannot be competed away by a competitive labor market, we also show that more schooling may serve as an alternative and effective tool to reduce sexual prejudices and (because of that) discrimination.

**D41**

### **The Employment Effect of Increasing Disability Benefits:**

#### **A Regression Discontinuity Approach**

*Judit Vall Castello, Olivier Marie*

We analyze the employment effect of a law that provides for a 20 percent increase in the generosity of disability benefits in Spain for claimants who are, as a result of their lack of skills and of the labour market conditions they face, deemed unlikely to find a job. The selection process for treatment is therefore conditional on having a low probability of employment making evaluation of its effect intrinsically difficult. We exploit the fact that the benefit increase is only available to individuals aged 55 or older to estimate its impact using a regression discontinuity approach. Our first results indicate a drop in employment for disabled individuals that receive the increase in the pension amount but this effect disappears when we take into account possible age effects on labour market participation. These results are among the first to suggest that disability benefit generosity does not have a negative incentive effect on employment behavioural response. We believe this is a result of the particular design of the Spanish disability insurance system which does not tax labour supply and consequently does not generate a distortionary substitution effect from such income transfer.

**D42**

### **British Tax Credit Reform: Labour Market Outcomes and Beyond**

*Paul Fisher*

The UK recently saw extensive reform of its in-work-benefit system with the replacement of the Working Families Tax Credit with two new tax credits: The Working Tax Credit and Child Tax Credit. The reform simplified and expanded child related support and above this radically extended in-work tax-credits to those without children. This paper provides the first evaluation of the reform for a sample of couples with children and contributes to the wider literature on in-work benefits for couples whom relative to single mothers, have received less attention in the welfare reform literature. The new tax credits could induce a number of behavioural responses. As noted by Blundell and Walker (2001), and Grogger and Karoly (2009) little is known about the impact of welfare reforms on behavioural outcomes beyond the labour market. The analysis therefore extends beyond the labour market and considers the wide consequences of the reform including fertility, divorce, childcare usage, benefit take-up in addition to labour market outcomes. A novel difference in difference strategy is used which takes advantage of the panel nature of the British Household Panel Survey to compare those in the bottom quartile of the fathers pre-reform income distribution to those in the inter-quartile range.

D43

### **The Effect of Neighborhood Unemployment on Individual Employment Probability in Germany**

*Matthias Vorell, Thomas K. Bauer, Michael Fertig*

Using a unique dataset for Germany which links individual longitudinal data from the SOEP to regional data from the federal employment agency for the years 2000 to 2004, we estimate binary discrete choice models to evaluate the impact of neighborhood characteristics, especially neighborhood unemployment, on individual employment decisions. The panel setup and richness of the data allows us, at least partly, to overcome some of the identification problems which are present in this strand of literature (see Manski, 1993). Using an instrumental variable approach to control for selection effects and area-fixed effects to control for correlated effects, we observe a significant negative impact of neighborhood unemployment on individual employment probability. The results are robust to various specification, model changes and the inclusion of individual fixed effects.

D44

### **Intertemporal Substitution in Labor Force Participation: Evidence from Policy Discontinuities**

*Andrea Weber, Dayanand Manoli*

How much are individuals willing to reallocate labor supply from periods with low wages to periods with high wages? We address this question using administrative data on the census of private sector employees in Austria and variation from policy discontinuities in retirement benefits from the Austrian pension system. The policy discontinuities refer to stepwise increases in benefits upon completion of 10, 15, 20, 25 years of tenure at retirement. We first present graphical evidence documenting delays in retirement in response to the policy discontinuities. Next, we estimate an elasticity of intertemporal substitution in labor supply using a semiparametric estimator that exploits the graphical evidence. The graphical evidence and estimated elasticities indicate a relatively low degree of intertemporal substitution in labor supply. Because of the large sample size and sharp policy discontinuities, these results represent the most statistically and economically precise estimates of intertemporal substitution in labor supply to date.

D51

### **The Impact of Teenage Motherhood on the Education and Fertility Decisions of Their Children: Evidence for Europe**

*Maria Navarro Paniagua, Ian Walker*

This paper deals with the intergenerational effects of teenage motherhood on their children's education and fertility outcomes. We quantify the causal effect of being born to a teenage mother on children's outcomes in an IV framework, exploiting both compulsory schooling changes and peer effects associated with mother's month of birth. Our findings suggest that the child's probability of post compulsory education decreases when born to a teenage mother, and that the daughters of teenage mothers are significantly more likely to become teenage mothers themselves.

D52

### **Peer Effects in Fertility - The Effect of Children in the Neighborhood**

*Marie Louise Schultz-Nielsen*

In this study I examine whether there exists a neighborhood effect in childbearing. The focus is on the subsequent fertility of women who have a neighbor who has just had her second child. To provide exogenous variation in the number of children neighbors have, I use a well-known instrument, namely that of having the two first children of the same sex versus having children of different sexes. To investigate whether the fertility of neighbors has any effect on the fertility of other women aged 21-35 years, women in a neighborhood are divided into two groups according to whether the neighbor's first two children are of the same sex or not. I argue that these women are randomly selected and on average have the

same characteristics regardless of whether their neighbors have two children of the same sex or not. Therefore any remaining difference in the number of children these women have later is a sign of a neighborhood effect. The empirical results suggest that such neighborhood effects exist.

**D53**

### **Compulsory schooling and fertility in Europe**

*Nicole Schneeweis, Margherita Fort, Rudolf Winter-Ebmer*

We study the relationship between education and fertility, using compulsory schooling reforms in Europe as Natural Experiment. We use data from 9 European countries and the variation of compulsory education across countries and birth cohorts to identify the causal impact of education on the number of biological kids, the incidence of childlessness and teenage childbearing. Our results are surprising; education has a positive impact on the number of kids and a negative impact on childlessness. The results are insensitive to various falsification checks.

**D54**

### **Sex-Selective Abortion in India: Inference from matching trends in conditional sex ratios with trends in availability of ultrasound**

*Sonia Bhalotra, Tom Cochrane*

The unprecedented rise in the sex ratio between the 1991 and 2001 census has prompted a new wave of research on son preference in India. We conduct a difference in difference analysis, using information on the timing of the introduction and diffusion of prenatal sex determination technology to identify structural breaks in the sex ratio of higher order births conditional upon the sex of the first child. The premise, supported by field-based research, is that families seldom attempt sex selection for first births. We allow heterogeneity in the conditional sex ratio by family level indicators of heterogeneity in son preference and access to ultrasound. Using non-parametric and parametric techniques, we find evidence consistent with sex selective abortion. Sex selective abortion appears to have started earlier in and remains more prevalent amongst families with greater wealth, more educated women, urban location, residence in the north-west of the country and high caste Hindu status. To back our inference that sex selective abortion is at play, we consider a range of alternative hypotheses, arguing that no one of these can, by itself, explain the patterns in the data. Our estimates suggest that the ideal composition of births in India is 2 boys and 1 girl.

**D61**

### **High and steady or low and rising? Vocational versus general education in life-cycle earnings**

*Harald Pfeifer, Frank Cörvers, Hans Heijke, Ben Kriechel*

In this paper, we compare experience-earnings profiles of employees with vocational and general education background in Germany, the Netherlands and the United Kingdom, three countries with fundamentally different education systems. Using Mixed-Effects Linear Regression Models we show that earnings of employees with vocational education are higher in the initial phase of their career. However, generally educated catch up over the time on the labor market. Life-cycle differences in earnings are more pronounced in the United Kingdom than in the Netherlands and Germany.

**D62**

### **Do Employers Know Their Employees' Education?**

*Francesco Avvisati*

Using a French employer-employee dataset, I document large disagreement rates between employer reports and self-reports of workers' educational attainment. My estimates of a model for the data-generating process indicate that, when both are available, employer reports are correct for about 85% of the sample, while self-reports are accurate for almost

92% of observations. I also test whether wages are related to employers' mistakes, and find that overstatements of worker education pay a positive wage-premium, whereas understatements are not linked to significant differences in wages.

**D63**

### **Nonparametric Bounds on Returns to Schooling: Overcoming Ability and Selection Bias**

*Juergen Meinecke, Martine Mariotti*

Our objective is to estimate the average treatment effect (ATE) of education on earnings for African men in South Africa. Estimation of the ATE in our data is difficult because of omitted ability bias and a high degree of sample selection due to low labor force participation. Manski and Pepper (2000) suggest a promising nonparametric identification strategy but it only helps with the problem of omitted ability bias. We propose an extension of their identification strategy to deal with the sample selection problem. Accounting for ability and selection bias, we compute upper bounds on the ATE for the years 1995 and 2000. We estimate an upper bound of 12.64 percent in 1995 and 10.68 percent in 2000. Compared to parametric estimation our bounds are informative: The OLS returns to schooling equal 15.59 percent in 1995 and 15.31 percent in 2000. Our results suggest that many parametric estimates are severely upwards biased, which results from unobserved heterogeneity.

**D64**

### **Formal Education for Participants Above 40; Are there Really Positive Returns?**

*Anders Stenberg, Olle Westerlund, Xavier de Luna*

We study the effects of formal education on labour earnings during the later stages of working life. Many political bodies, including the OECD and the EU, have emphasized education of the older workforce as a tool to promote growth, prolong working lives and counteract structural unemployment. These ambitions have also been supported by results pertaining to older workers at community college in the US and formal education in Sweden. Our results are in contrast with these findings since, from the society's point of view, we do not find the economic benefits to cover total costs even under optimistic assumptions. We analyse first time enrollees aged 42-55 in 1994-1995 and explore population register data 1982-2007 on e.g. annual earnings, course registrations and grades reported after course completion. We derive counterfactual earnings trajectories of the treated via matching on the propensity score, where a rich set of covariates include indicators of health and labour market marginalization. Among our robustness checks, we exploit variation between siblings in regression which include family fixed effects. We find formal education to enhance average earnings of older females but not of males. Considerable public investments are made in education of older workers, but we fail to find support for the policy in this study. Potential reasons behind this incongruity are that policy-makers are overly optimistic in their expectations of economic gains from education of older workers and that this field of research is a partly neglected area of the academic literature.

**D71**

### **Immigration and the Diffusion of Technology: The Huguenot Diaspora in Prussia**

*Erik Hornung*

This paper analyzes the long-term effect of technological diffusion on productivity caused by immigration of skilled workers. In 1685 religious persecution drove highly skilled Huguenots into the backward Brandenburg-Prussia where they established themselves and transferred technological knowledge to natives. We find that textile manufactories installed in towns hosting the Huguenots achieved higher productivity than others due to diffusion, even 100 years after immigration. Identification is supported by an instrumental variable approach identifying variation in the location of Huguenots which results from population losses due to plagues during the Thirty Years' War, events exogenous to economic preconditions.

D72

## **High Unemployment in Germany: Why do Foreigners Suffer Most?**

*Wido Geis*

The unemployment rate of immigrants in Germany is not only higher than the rate of natives but also reacts more to changes in the labor-market situation. Decomposing the unemployment rate into a baseline and a labor-market situation component I find that for zero native unemployment immigrant unemployment would lie at 5.6 percentage points (the baseline effect). An increase in overall unemployment by 1 percentage point leads to an 0.7 percentage points higher increase immigrant unemployment than in native unemployment (the situation effect). The large part of this difference, about 3/4 of the baseline and 4/5 of the situation component, can be explained by differences in the endowment with classical human capital (educational degrees and experience). Also controlling for language skills, country specific human capital, the situation effect becomes insignificant and the baseline effect again decreases by 1/2. Adding controls for social networks the baseline effect also becomes insignificant. Thus, human capital and social networks potentially fully explain the difference between native and immigrant unemployment.

D73

## **Student Sorting: The Effects of Immigration**

*Lucila Berniell*

Many developed countries have been receiving large immigration inflows during the last decades, which has changed the demographics of school-age children in these countries. Such sudden changes are likely to have a serious impact on segregation of students between public and private schools. In Spain, since 1998 both the proportion of native parents who chose to send their children to private schools as well as the proportion of immigrant parents who chose public institutions increased with immigration. Building on previous literature on school sorting and cultural transmission I construct a model of school choice that can account for the observed school segregation in Spain. The model economy is a single-community, multi-neighborhood general equilibrium model with overlapping generations of individuals who differ along two dimensions, income and cultural traits. Parents care about their children's future income and their acquired cultural traits. I use the model economy to study the impact of immigration on school and neighborhood segregation and to analyze policies that can affect the allocation of students across schools and the integration outcomes of immigrants and their children.

D74

## **The Heterogeneous Labor Market Effects of Immigration**

*Mathis Wagner*

In this paper I provide estimates of the impact of immigration on native wage and employment levels (rather than on wage inequality which has been the focus of the literature). I use variation within 2-digit industries across regions using Austrian panel data from 1986 to 2004 for identification. Using an instrumental variable strategy I find large displacement effects in the service sector and large native employment increases in manufacturing due to immigration. This heterogeneous response is explained by large increases in output in manufacturing, due to a high elasticity of product demand, as immigration reduces the cost of production, while on average demand is far less elastic in service industries. Estimated substitution effects, for a given level of output, are large in both industries and in line with US estimates. The structural estimates imply that a 10% increase in the number of immigrants in all industries reduces average native wages by around 0.25% and results in 4% of the native labor force changing industry, primarily from services to manufacturing. Hence, the effect of immigration on worker relocation across industries is far larger than its impact on average native wages.

**D81** **Disease and Development Re-examined: The Effect of Life Expectancy on Economic Growth**

*Joannes Jacobsen*

Using similar theoretical frameworks, two recent papers by Acemoglu and Johnson (2007) and Ashraf et al. (2008), respectively, come to rather different conclusions regarding the empirical effect of increased life expectancy on income per capita. This paper presents a solution to this puzzle. We show that the model of Acemoglu and Johnson implies a different dynamic specification of the theoretical relationship between increases in life expectancy and income per capita than the one derived in their paper. Empirical analysis based on the correct theoretical relationship results in estimates that are compatible with those of Ashraf et al.

**D82** **Population aging and endogenous economic growth**

*Klaus Prettner*

This article investigates the consequences of population aging for long-run economic growth perspectives. We introduce age specific heterogeneity of households into a model of endogenous technological change. We show that the model incorporates two standard specifications of horizontal innovation as special cases: endogenous growth models with scale effects and semi-endogenous growth models without scale effects. The introduction of an age structured population implies that aggregate laws of motion for capital and consumption have to be obtained by integrating over different cohorts. It is analytically shown that these laws of motion depend on the underlying demographic assumptions. In particular, we find that increases in longevity have positive effects on per capita output growth. This holds in the steady state of endogenous as well as semi-endogenous growth models. In the latter case, the positive dependence can also be shown for the equilibrium growth rate during transition to the steady state.

**D83** **Population, Innovation, Competition and Growth with and without Human Capital**

*Alberto Bucci*

This paper analyzes how population and product market competition may interact with each other in affecting the pace of productivity growth. We find that the impact of a change in population (size/growth) and in the degree of market concentration on economic growth varies depending on the structure of the underlying model economy and, more precisely, depending on the presence of purposeful human (versus physical) capital investment, the type of input used in the uncompetitive sector, the form of households' intertemporal utility and whether product market competition (measured by the elasticity of substitution between differentiated intermediates) is disentangled or not from the input-shares in total income. We also find that only a fully endogenous growth model with purposeful human capital investment at the individual level and a continuum of degrees of inter-generational altruism is simultaneously able to predict an ambiguous link between population and economic growth rates and to display no strong scale effects in economic growth, while keeping the property that positive economic growth is feasible even without any population change. The paper also examines the conditions under which population (size/growth) and product market competition/monopoly power can be complementary factors in economic growth.

**D84** **The Physiological Foundations of the Wealth of Nations**

*Holger Strulik, Carl-Johan Dalgaard*

Evidence from economics, anthropology and biology testifies to a fundamental household trade-off between the number of offspring (quantity) and amount of nutrition per child (quality). This leads to a theory of pre-industrial growth where body size as well as popula-

tion size is endogenous. But when productive quality investments are undertaken the historical constancy of income per capita seems puzzling. Why didn't episodes of rising income instigate a virtuous circle of rising body size and productivity? To address this question we propose that societies are subject to a "physiological check": if human body size rises, metabolic needs - our conceptualization of "subsistence requirements" - rise. This mechanism turns out to be instrumental in explaining why income growth does not take hold and societies remain near an endogenously determined subsistence boundary. When we use the theory to shed light on pre-industrial cross-country income differences we find that 60-70% of the income differences in 1500 can plausibly be accounted for by variations in subsistence requirements.

**E11**

### **Prenatal Ramadan Fasting and Academic Outcomes**

*Reyn Van Ewijk, Douglas Almond, Bhashkar Mazumder*

Our previous research showed that Ramadan fasting during pregnancy adversely affects the health of the offspring of Muslim women (Almond & Mazumder, 2009; Van Ewijk, 2009). In this paper, we use 1998-2007 data on the population of English school-children and study effects of prenatal exposure to fasting on the school performance of Muslims aged 7 and 11 (Key Stage 1 & 2 tests). Ramadan each year starts about 11 days earlier, which enables us to separate season-of-birth and relative age effects from effects of prenatal Ramadan exposure. We use exact date of birth to determine if students were in utero during Ramadan, but do not know whether the student's mother had actually fasted. We therefore estimate intention to treat effects, which also helps circumvent any potential bias due to self-selection into who fasts during pregnancy. We find that both the math and verbal tests scores of Muslim students who were exposed to Ramadan fasting before birth are significantly lower than those of other Muslim students. Effects are strongest on children exposed in mid-gestation. The effect is robust to different specifications including controls for free school meal status. Our results suggest that Ramadan fasting during pregnancy can explain about 5 to 10% of the academic achievement gap between Muslims and White British students.

**E12**

### **The causal effect of health on income: quasi-experimental evidence from commuting accidents**

*Martina Zweimüller, Martin Halla*

This paper interprets accidents occurring on the journey to and from the place of work as negative health shocks. We argue that in our sample of (on their labor market history) exactly matched treated and control units, these negative health shocks are quasi-randomly assigned. To estimate the causal effects of this negative health shocks on labor market outcomes we apply a difference-in-differences (DiD) approach. This research design allows us to establish a clear causal effect. We find a negative and persistent causal effect of a negative health shock on employment and earnings. The size of these effects varies along the dimensions of sex, age and occupation. The effects on employment are higher for older than for younger workers, which is plausible since older workers recover less well and are less attached to the labor market. The most striking difference in the earnings effect is found between blue-collar and white-collar workers. It seems that if blue-collar workers manage to return to work after the negative health shock, they do not lose compared to untreated units. For white-collar workers, however, we find a substantial income loss almost throughout the whole post-treatment period. This finding is in line with theoretical arguments suggesting that labor market interruptions are more costly in the case of a job associated with firm-specific human capital compared to a job where more general human capital is decisive.

E13

### **Marginal Benefit Incidence of Public Health Spending: Evidence from Indonesian sub-national data**

*Robert Sparrow, Ioana Kruse, Menno Pradhan*

We examine the marginal effects of decentralized public health spending by incorporating estimates of behavioural responses to changes in public health spending through benefit incidence analysis. The analysis is based on a panel dataset of 207 Indonesian districts over a 4-year period from 2001 to 2004. We show that district-level public health spending is largely driven by central government transfers, with an elasticity of public health spending with respect to district revenues of around 0.9. We find a positive effect of public health spending on utilization of outpatient care in the public sector for the poorest two quartiles. We find no evidence that public expenditures crowd out utilization of private services or household health spending. Our analysis suggests that increased public health spending improves targeting to the poor, as behavioural changes in public health care utilization are pro-poor. Nonetheless, most of the benefits of the additional spending accrued to existing users of services, as initial utilization shares outweigh the behavioural responses.

E14

### **Applying for and Staying on the Supplemental Nutrition Assistance Program in South Carolina**

*David Ribar, Christopher Swann*

This research examines how households apply to and maintain participation in the Supplemental Nutrition Assistance Program (SNAP) using case records from South Carolina. Program take-up is a major issue for assistance programs. Previous micro-analyses of SNAP participation using administrative data have focused on the length of assistance spells once households have joined the program but have overlooked the processes by which households begin receiving benefits. The paper examines electronic case management records from South Carolina covering the period from 1996-2007. We use these to estimate joint models of application resolutions and subsequent participation spells for those with accepted applications. Jointly modeling these processes allows for the possibility that successful applications constitute a non-random sample of all applications. The model of application resolutions is specified as a multinomial logit model where the possible resolutions are acceptance and denial due to three different reasons. Each outcome depends on the past application behavior and other observable case characteristics. For cases with successful applications, the resulting participation spell is modeled using a discrete-time, competing-risk hazard model. We distinguish between FSP exits that are the result of missed recertifications, financial ineligibility, incomplete or missing information, or other reasons. The estimation results indicate that a household's application and participation history affect its subsequent application success and program tenure. Additionally, the results indicate that unobserved characteristics that affect application resolutions also affect subsequent participation spells. The results are consistent with "positive selection" into participation.

E21

### **The rise and fall of intergenerational earnings mobility in France over the last half century**

*Arnaud Lefranc*

This paper analyzes long-term trends in intergenerational earnings mobility in France. I estimate intergenerational earnings elasticity for male cohorts born between 1933 and 1975, using two-sample instrumental variables techniques. Special attention is paid to potential biases that may arise when assessing trends in mobility from cohorts observed at different stages of their life-cycle. Over the period, intergenerational earnings mobility exhibits a U-shaped pattern. Mobility falls between cohorts born in the mid 1930's and those born in the mid 1950's, but subsequently rises. For cohorts born in the first half of the 1970's, age-adjusted intergenerational earnings elasticity amount to around .55. This value is (statisti-

cally) significantly higher than the elasticity estimated for the baby boom cohorts. It is also slightly lower than this elasticity estimated for cohorts born in the 1930's, although this time, the difference is not statistically significant.

**E22**

### **Defining Circumstances: Fracs or Ranks, Does it Matter?**

*Nicolas Pistoletti, Arnaud Lefranc, Alain Trannoy*

We analyze equality of opportunity for earnings acquisition in France between 1973 and 1993. Individual circumstances are defined by parental earnings, which can be measured by either father's earnings level or father's rank in the earnings distribution. First, using stochastic dominance tools, we find that inequality of opportunity has remained stable when conditioning on the earnings level of the father, while it has diminished when conditioning on his rank in the earnings distribution. Then, we decompose the evolution of inequality of opportunity using the mean logarithmic deviation and the results of regressions of descendants' earnings on their parents earnings. The former result is explained by the stable intergenerational earnings elasticity. The latter by the decreasing wage inequality in the previous generation.

**E23**

### **Estimates of Intergenerational Elasticities Based on Lifetime Earnings**

*Arlid Aakvik, Oivind A Nilssen, Kjell Vaage, Karl Jacobsen*

Using Norwegian intergenerational data with a substantial part of the life-cycle earnings of children and almost the entire life-cycle earnings for their fathers, we present new estimates of intergenerational mobility. Extending the length of the fathers' earnings windows from 5 to 30 years increases the estimated elasticities. Increasing the age of father at observation has the opposite effect. Our findings indicate that intergenerational earnings mobility may have been strongly overstated in many earlier studies with shorter earnings histories, also in former Norwegian studies. Biases in the estimated elasticities are both to life-cycle measurement errors and to persistency in the transitory innovations.

**E24**

### **Intergenerational earnings mobility and the inheritance of employers**

*Miles Corak, Patrizio Piraino*

We use a large administrative data base on a cohort of young Canadian men to document and explain the degree to which their adult earnings are related to the earnings of their fathers taking into account that employers may be transmitted across the generations. Our analysis of intergenerational earnings mobility modifies the Becker-Tomes model to incorporate the intergenerational transmission of employers, which is predicted to increase the intergenerational elasticity of earnings. In our data about 6% of young men have the same main employer as their fathers, but this is positively related to paternal earnings and rises discretely at the top of the distribution. We use a switching regression model and identify two regimes associated with the inheritance of employers that have different intergenerational earnings elasticities. The model also demonstrates that the inheritance of employers plays a role in understanding observed nonlinearities.

**E31**

### **Do Employers Discriminate by Gender? A Field Experiment in Female-Dominated Occupations**

*Alison Booth, Andrew Leigh*

We test for gender discrimination by sending fake CVs to apply for entry-level jobs. Female candidates are more likely to receive a callback, with the difference being largest in occupations that are more female-dominated.

E32

**Can Role Models Enhance Gender Equality on the Labor Market? Evidence from the Post-Unification Migration Experiment**

*Holger Bonin, Melanie Arntz*

The paper analyzes the sources of declining occupational segregation by gender in West Germany after German re-unification. We focus on the impact of massive, regionally imbalanced inflows of East Germans with distinct labor market attitudes and histories facilitating entry in male dominated jobs. Our evidence on the basis of administrative panel data that allows control of unobserved heterogeneity shows that the labor supply shock from a growing share of East Germans in the West German work force significantly reduced male-female-imbalance within occupations, thus reducing occupational segregation. But apart from this direct effect an additional spill-over effect emerges. It appears that West German women have benefitted from the role model of East German women in the sense that they enter male dominated jobs more frequently in local labor markets with a larger employment share of East German women. These results hold if one controls for possibly endogenous location choices of East-West-migrants.

E33

**Breaking through the glass ceiling? - Gender differences in promotion patterns into CEO and Vice-director positions in Danish companies**

*Mette Verner, Nina Smith, Valdemar Smith*

This paper analyses the gender gap in promotion into top corporate jobs in Denmark. This is done on the basis of employer-employee data on the 3000 largest private firms in the period 1997-2005. The female representation among CEO's increased from 3% to 5% in 2005. The gender gap in promotion for potential executives is estimated to be 2 percentage points and 0.5 percentage points for Vice-Directors, and this is basically unchanged, even when a wide range of controls are included. Furthermore, the estimated gender gap has not changed over the time-period. Educational attainment is found to be an important factor in promotion, for both males and females, whereas household characteristics mainly affect promotion probabilities of males. Firm size, being listed on the stock exchange and the gender composition of employees and management also explain the likelihood of promotion.

E34

**Is the Glass Ceiling Cracking in Denmark? The Gender Pay Gap in Top Corporate Jobs**

*Nina Smith, Valdemar Smith, Mette Verner*

This paper analyses the gender gap in compensation for executives in the largest Danish private companies based on a panel data set of employer-employees data covering the period 1996-2005. The overall gender gap in compensation for top executives and potential top executives decreased from 35 percent to 31 percent during the period 1996-2005 and the female proportion among CEOs, VDs and potential top executives increased substantially, by more than 50 percent. However, contrary to most previous studies, we do not find that the gender gap for CEOs disappears or diminishes when controlling for observed individual and firm characteristics and unobserved individual heterogeneity. The raw compensation gap for CEOs decreased from 36 percent in 1996 to 13 percent in 2005. However, controlling for observed and unobserved characteristics the reduction of the compensation gap was small and insignificant for CEOs while for VD and potential top executives, the estimated gap even increased.

E41

**Short-Term Training Programs for Immigrants: Do Effects Differ from Natives and Why?**

*Thomas Walter, Alisher Aldashev, Stephan L. Thomsen*

We evaluate the effects of different short-term training programs on the employment chances of immigrant and native welfare recipients in Germany. In particular, we investigate whether program effects differ between both groups and what might cause these potential

differences. To answer these questions we estimate separate models for immigrants and natives using propensity score matching estimators in a first step. In a second step to provide an explanation of the differences in effects, we suggest a decomposition method based on the matching procedure that allows identification of differences due to observable characteristics and differences related to an immigrant fixed effect.

E42

### **Do Dropouts Benefit from Training Programs? Korean Evidence Employing Methods for Continuous Treatments**

*Chung Choe, Alfonso Flores-Lagunes, Sang-Jun Lee*

Failure of participants to complete training programs is pervasive in existent active labor market programs both in developed and developing countries. The proportion of dropouts in prototypical programs usually ranges from 10 to 50 percent of all participants. From a policy perspective, it is of interest to know if dropouts receive any benefit from the time they spend in the training program, especially since these programs consume considerable resources. We shed light on the issue by estimating the average employment effects of different lengths of exposure to a program by dropouts in a Korean job training program. To do this, we employ recently developed parametric and semiparametric methods to estimate effects from continuous treatments using the generalized propensity score, under the assumption that selection into different lengths of exposure is based on a rich set of observed covariates. We find that, despite not completing the program, participants who drop out later—thereby having longer exposures—exhibit higher employment probabilities one year after receiving training, and that marginal effects of additional exposure to training are initially constant, but increase past a certain threshold of exposure. We conclude that dropouts do benefit from longer exposures to this training program.

E43

### **Why do low-skilled workers invest less in further training?**

*Didier Fouarge, Trudie Schils, Andries De Grip*

Several studies document the fact that low-skilled workers participate less often in further training than high-skilled workers; however, few studies explain why. We fill this gap by investigating two explanations: low-skilled workers invest less in training 1) because of the lower private returns to these investments or 2) because they lack the intrinsic motivation to participate in training. Controlling for unobserved heterogeneity and endogenous selection into training, we find that the returns to training for low-skilled workers are not significantly different from those for high-skilled workers. However, low-skilled workers are significantly less motivated to participate in training. Differences in both economic preferences (future orientation, preference for leisure) and personality traits (locus of control, exam anxiety, and openness to new experiences) between high- and low-skilled workers largely explain the difference in intrinsic motivation.

E44

### **The Heterogeneous Effects of Training Incidence and Duration on Labor Market Transitions**

*Marie Paul, Bernd Fitzenberger, Aderonke Osikominu*

This paper estimates the impact of training incidence and duration on employment transitions accounting for the endogeneity of program participation and duration. We specify a very flexible bivariate random effects probit model for employment and training participation and we use Bayesian Markov Chain Monte Carlo (MCMC) techniques for estimation. We develop a simulation approach that uses the estimated coefficients and individual specific effects from the MCMC iterations to calculate the posterior distributions of different treatment effects of interest. Our estimation results imply positive effects of training on the employment probability of the treated, lying between 12 and 21 percentage points ten quarters after program start. The effects are higher for women than for men and higher in

West Germany than in East Germany. Further, we find that the effect of training versus waiting underestimates the effect of training versus no training in the medium and long run by a third. Finally, our results show that longer planned enrolment lengths of three and four quarters as opposed to just two quarters lead to an increase in employment rates in the medium and long run by four to eleven percentage points.

**E51**

### **Marriage Subsidies and Divorce: An Analysis of Marginal Marriages**

*Wolfgang Frimmel, Martin Halla, Rudolf Winter-Ebmer*

Policies to promote marriage are controversial. It is essential to distinguish between the average marriage and the marginal marriage created by an intervention. Since the early 1970s Austrian citizens, both marrying the first time, received about €3.800 (in year 2009 Euro) cash on hand with no strings attached. In August 1987, it was announced to suspend this marriage allowance (without any replacement) by 1988. Using Austrian Register Data we study the marriage boom (plus 87 percent) of eligible couples in the last quarter of 1987. Among these we identify 44 percent marginal marriages—couples who marry because of the suspension. Exploiting the group of non-eligible couples, our difference-in-differences approach shows that marginal marriages are about 20 percent more likely to divorce.

**E52**

### **The effect of same-sex marriage laws on different-sex marriage: Evidence from the Netherlands**

*Mircea Trandafir*

It has long been argued that the legalization of same-sex marriage would have a negative impact on marriage. In this paper, I examine what happened to different-sex marriage in the Netherlands after the enactment of two laws: in 1998, a law that provided all couples with an institution almost identical to marriage—registered partnership—, and in 2001, a law that legalized same-sex marriage for the first time in the world. I construct a unique data set covering the period 1995–2005 by matching individuals from ten waves of the Dutch Labor Force Survey with their marriage and residence history from official records. I first estimate the first-marriage decision using a discrete-time hazard model with unobserved heterogeneity. I find that the marriage rate rose after the registered partnership law but fell after the same-sex marriage law. The effects of the two laws are heterogeneous across more liberal and more conservative locations. Next, I construct a synthetic control for the Netherlands as a weighted average of OECD member countries over the period 1988–2005. A comparison of the marriage rates in the Netherlands and the synthetic control confirms the findings from the individual-level analysis and a placebo test supports the validity of the results. The results suggest that same-sex marriage leads to a fall in the different-sex marriage rate, but not in the different-sex union (marriage plus registered partnership) rate. In contrast, same-sex registered partnership does not affect different-sex marriage negatively and the availability of an alternative institution increases the different-sex union rate.

**E53**

### **The Effect of Education on Marital Status and Partner Characteristics: Evidence from the UK**

*Yu Zhu, Dan Anderberg*

This paper uses a particular school exit rule previously in effect in England and Wales that allowed students born within the first five months of the academic year to leave school one term earlier than those born later in the year. We show those who were forced to stay on more frequently hold some academic qualification. Turning to marital outcomes we then show that those forced to stay on are neither more nor less likely to be married, but women obtained better marital outcomes in that they are more frequently married to males who hold some academic qualification and who are economically active.

### **Educational Assortative Mating and Individual Income Development: Results from Longitudinal Register Data in Sweden 1990-2005**

*Paul Nystedt, Martin Dribe*

A large number of studies have indicated that educational homogamy is strong in most Western societies, although the trends over time have differed across countries. Positive assortative mating by education is usually related to exposure to potential marriage partners through school and college or preferences for similar values and attitudes of marriage partners. The educational level of the spouse might also have a direct effect on ones career path, through information sharing, access to networks, household division of labor and allocation of time etc.. In this paper we study the connection between educational assortative mating and income development. We use longitudinal register based data for the entire Swedish population born 1942-1989, and follow them from 1990 to 2005. Our empirical strategy is to exploit the longitudinal perspective using distributed fixed effects models estimating the effects of partner choice on post-marital income, relating it to how the income developed in advance of marriage. The data used contains annual information on different sorts of income (labor, self-employment, social transfers, etc), field and level of education, country of birth, municipality of residence, as well as on most demographic characteristics, such as presence of children, migration and non-marital cohabitation (in cases with common children).

### **The Allocation of Time Over Decades: A Cross-Country Analysis**

*Jose Ignacio Gimenez-Nadal, Almudena Sevilla-Sanz*

We use several time-diary surveys for a variety of countries and years to analyze general time-use patterns during the last 30 years. We find that the time devoted to leisure decreases or is constant for all countries considered from 1970 onwards, except for France, where we observe increases in leisure from 1970. In such process, we find a substantial increase in leisure dispersion favoring the less educated individuals that mirrors the increase of income/wage inequality in most of the analyzed countries. "TV Watching" has been the major factor driving the increasing dispersion in leisure in most countries, and the increase in "TV Watching" has been offset by decreases in activities such as reading, socializing, hobbies and eating. Regarding the rest of activities, women decreased the time devoted to unpaid work, and increased the time devoted to paid work, which is consistent with the increase in female education and labor force participation observed in last decades for developed countries. Men increased and decreased the time devoted to unpaid and paid work, respectively, showing evidence of an international convergence in the time devoted to paid work (44 hours per week in the Australia, Canada, Italy and the US, 40 hours for the rest). Despite evidence showing gender convergence in the time devoted to paid and unpaid work, we still find a gender-specialization pattern, since the increase in the time devoted to market work by women have not been offset by the increase in the time devoted to non-market work by men.

### **The Effect of Property Division Laws on Spouses' Labor Supply: Evidence from Spain**

*Pablo Brassiolo*

This research studies the intra-household decision process from a micro-economic, empirical point of view, with particular reference to its relationship with legislation regulating divorce. In particular, it asks whether a legal change towards a more equitable distribution of matrimonial wealth upon divorce in a separate property regime that modifies spouses' bargaining position within household can lead to: i) a change in their labor-supply decisions, and ii) an increase in the incidence of divorce. The originality of the project is to exploit a natural experiment in Spain where different regions have different rules to divide marital property between divorcing spouses. Preliminary findings point to a significant reduc-

tion in female labor supply when the distribution of marital property after divorce is more favorable to the wife. Also, changing the rules governing property division upon divorce have had a positive and significant impact on the incidence of divorce, although this effect seems to dissipate in the long run.

E63

### **Son Preference, Gender Composition, and Parental Time Allocation: Evidence from Rural China**

*Yi Fan, Junjian Yi, Junsen Zhang*

This paper empirically estimates the effect of child gender and gender composition on parental joint time allocation between the labor market and the household using micro data from rural China. To control for the endogeneity of child gender, we exploit a new instrumental variable (IV) that is the number of paternal brothers. We find a significant time reduction in maternal involvement in household chores with a presence of sons. Mothers with sons but no daughters have a significant time decrease in chores by 48.8%, compared to those with daughters but no sons. Having at least one son and a first-born son decrease maternal time spent on household work by 65.9% and 41.0%, respectively. This pattern is consistent with the story that giving birth to sons increases mothers' intrahousehold bargaining power. We compare the IV estimates with the ordinary least squares (OLS) estimates, and suggest that the upward bias in OLS estimates may result from the unobserved heterogeneity in son preference across households. Furthermore, we employ a different empirical strategy under fixed effects (FE) estimation, and find a consistent pattern as the one under IV estimation.

E64

### **The Intra-household Division of Labor: An Empirical Analysis of Spousal Influences on Individual Time Allocation**

*Julia Bredtmann*

Regarding total working hours, including both paid and unpaid labor, hardly any differences between German men and women exist. However, whereas men allocate most of their time to market work, women still do most of the non-market work. Using the German Time Use Surveys 1991/92 and 2001/02, this paper aims to shed light on the time allocation of East and West German couples and its development over time. Furthermore, it focuses on analyzing the interactions between the spouses' times in paid and unpaid work. Thereby, an interdependent model of the partner's time allocation that allows for simultaneity and endogeneity of the time allocation decisions of the partners is applied. The results suggest that male time in market and non-market work is unaffected by their wife's time use, while women adjust their time allocation to the time schedule of their partner. These findings might partly explain why in Germany – and other European countries as well – gender differences in employment and wages still persist.

E71

### **Crown Princes and Benjamins: Birth Order and Educational Attainment in East and West Germany**

*Martina Eschelbach*

This study expands the literature on the determinants of educational attainment by analyzing the effects of birth order in Germany. These effects are typically attributed to sibling rivalry for parental resources. Using data from the German Life History Study on birth cohorts 1945-1978, we find highly significant effects of birth order on secondary education. The effects are of substantial magnitude, both in West and East Germany. To our knowledge, this is the first study that also examines possible trends in the birth order effects. In West Germany, the effects remained stable over time, whereas in East Germany, the disadvantage for later born children increased. The result for East Germany is surprising because, during

the period of the analysis, the care and education of preschool children was more and more shifted from parents to state run institutions, where the treatment of children should have been independent of birth order.

**E72**

### **Are We Wasting Our Time At School? Causal Evidence of the Impact of Shortening Secondary School Duration**

*Stephan L. Thomsen, Bettina Buettner*

This paper analyzes the impact of shortening the length of higher secondary schooling on human capital accumulation. A policy reform in the German state of Saxony-Anhalt implemented in 2003 provides a natural experiment by abolishing the 13th year for students in the 9th grade and leaving students in the 10th grade unaffected. The curriculum remained almost unchanged. Using data from the double cohort of graduates in 2007, we find significant negative effects of shortening secondary school duration on student performance in math for both gender and in English for females, whereas the effects on literature are not statistically significant.

**E73**

### **Is Grade Repetition a Second Chance?**

*Elodie Alet*

This paper estimates the treatment effect of grade repetition on subsequent schooling performances in France. Being held back an additional year in the same grade is expected to help repeaters to acquire the necessary skills teachers believe these students lack. In this paper, I correct for potential selection issues associated with grade retention, using a multi-stage econometric model, which also takes into account the hierarchical structure of school systems. I find that early grade repetition (first or second grade) leads to a modest increase in test scores in the very short-run (in third grade) but this positive effect is only transitory as it disappears 3 or 4 years after the retention in grade (in sixth grade).

**E74**

### **The more the merrier? The impact of longer high school on performance in college**

*Marcus Tamm, Katja Görlitz*

Following German reunification the East German states were confronted with the need to adapt their schooling system to quality criteria settled by the western states. Most importantly this included an extension of high school education by one year. We use this variation in high school duration to estimate the impact of years of schooling on choice of school degree, on attendance of college and on performance in college. The analysis is based on difference-in-differences estimates using variation in the timing of the reform between states.

**E81**

### **Right-Wing Extremism and the Well-Being of Immigrants**

*Andreas Knabe, Steffen Rätzl, Stephan Thomsen*

This study analyzes the effects of right-wing extremism on the well-being of immigrants based on data from the German Socio-Economic Panel (SOEP) for the years 1984 to 2006 merged with state-level information on election outcomes. The results show that the life satisfaction of immigrants is significantly reduced if right-wing extremism in the native population increases. Moreover, the life satisfaction of highly educated immigrants is affected more strongly than that of low-skilled immigrants. This supports the view that policies aimed at making immigration more attractive to the high-skilled have to include measures that reduce xenophobic attitudes in the native population.

**E82**

**Has regularization programmes of illegal immigrants a magnet-effect? Evidence from Spain**

*Gemma Larramona, Marcos Sanso-Navarro*

This paper is intended to determine whether regularization programmes of illegal immigrants have a magnet-effect. In this respect, the last amnesty carried out in Spain the year 2005 is analyzed using a comparative case study approach. This is done by the application of a synthetic control method that is suitable for the evaluation of policies at a country level. Our results suggest that the stock of immigrants was an 8% higher three years after the amnesty took place.

**E83**

**Devolved immigration policy: will it work in Scotland? Evidence from Canada**

*Irene Mosca, Robert Wright*

The UK points-based immigration system is a minor variant of the system introduced in Canada in 1967. In this paper, we investigate what adding regionality to the UK points-based immigration system could mean for Scotland, a country committed to maintaining high levels of net-migration. In particular, we investigate if specific Provincial Nominee Programmes (PNPs) similar to those introduced in Canada to attract and retain immigrants in specific regions could work in Scotland. We empirically assess the degree of success of PNPs in Canada by comparing the inter-provincial migration behaviour of native- and foreign-born individuals before and after the introduction of PNPs. Micro-data collected in the Canadian censuses is used to calculate interprovincial migration rates for specific cohorts of immigrants. However, there is no natural comparison group since there is no cohort of "non-immigrants". In attempt to provide a comparator, matching methods are used.

**E84**

**Political Implications of Immigration**

*Martin Halla, Alexander Wagner, Josef Zweimüller*

Immigration control is high on the political agenda and part of any election campaign throughout Europe and the United States. Although immigration has potential positive effects on the receiving economy, negative aspects of immigration attract the most attention. Extreme rightwing parties with restrictive position towards immigration became very popular in many European countries. In this paper we study the relationship between the success of the extreme right-wing Freedom Party of Austria (FPÖ) and several waves of (labour) immigration to Austria. Therefore, we utilize highly disaggregated data on election results in combination with census data. In a first step we exploit the spatial correlation approach to establish a clear causal link of immigration on the success of the FPÖ. In a second step we show that this effect is higher for Muslim immigrants, increases with high unemployment of natives and decreases with the education of natives. Our results support the hypothesis that opposition to immigration is shaped by fears about labour market competition and non-economic concerns, such as cultural or racial prejudices. An understanding how such attitudes are formed is not only necessary to explain the growth of extremist anti-immigrant political movements, but also decisive for designing efficient migration policies.

**E91**

**Self-Employment, Education, and Employment Protection**

*Florian Baumann, Tobias Brändle*

Increasing self-employment and promoting education become more and more popular measures for fighting unemployment. This paper investigates how employment protection affects individuals' choice whether to become self-employed, given different educational attainment. We present a model where occupational choices depend on expected income from available opportunities and analyse the consequences of the interaction between employment protection and educational attainment on the decision to become self-employed. We test our hypotheses using data from the European and World Value Sur-

vey. Taking into account the peculiarity of our multilevel data set, we find that employment protection increases the probability of becoming self-employed, while higher educational attainment reduces it. Alas, we cannot confirm that individuals with less education are affected stronger by employment protection legislation.

**E92**

### **The Implications of Cultural Background on Labour Market Choices: the Case of Religion and Entrepreneurship**

*Luca Nunziata, Lorenzo Rocco*

This paper aims at contributing to the recent literature on the relationship between culture and labour market outcomes by analyzing that peculiar aspect of cultural background represented by religion in relation to the choice of becoming an entrepreneur. We focus on the implications of Protestant versus Catholic religious denominations, each considered as distinct confessions of the same religion, i.e. Christianity. Our empirical analysis is based on European Social Survey data collected in four waves between 2002 and 2008 in 22 European countries. We capture the differential impact of Protestant versus Catholic ethic through a difference-in-differences approach based on the diverse minority status of both confessions across European regions. Our analysis suggests that religious denomination significantly affects the likelihood of becoming an entrepreneur (variously defined), after differencing out all possible confounders related to the minority versus majority characteristics of each religion denominations across regions, and controlling for a large set of controls at the individual level. On average, a protestant individual has a 2% to 5% higher probability of being self-employed than a catholic individual. Our results are robust to a number of robustness checks and to analogous estimations on ISSP data collected on a subset of European countries in 1998 which enable to control for religious family background and intensity.

**E93**

### **The third partner in the household: An analysis of children's household work**

*Catherine Sofer, Salman Rizavi*

The contribution of teenage children to the household work and the possible effects on the household division of labour is an important but unaddressed issue. This paper uses the French Time Use Survey to analyse the household work contributions by children, focusing on children of the age group 15 to 19 years, and looks into the possible effect on the household work of parents. We present a theoretical model of child's household work, which is then tested using a full information maximum likelihood model with equations representing household work of the parents and of the children. We show that, as predicted by the model, more educated parents tend to use less intensively child's household work, though the decrease is not linear.

**E94**

### **Flexible employment, job flows and labour productivity**

*Marco Leonardi, Carlo Dell'Aringa, Lorenzo Cappellari*

In this paper we aim at providing evidence on the effects of flexible employment on job flows and labour productivity. We use panel data on firms with balance sheet information together with a detailed account of the type and number of employment contracts used by the firm. As a source of identification, we exploit variation in the legislation that affects the costs of using fixed-term and apprenticeships contracts over regions and industries. Based on these institutional changes, we can set up a difference-in-difference framework for estimation. We consider the impacts of these institutional changes on employment flows. Next, we assess their impact on labour productivity and investments. Results indicate that the reform of apprenticeships seems to have been successful in increasing turnover of workers capital-labor substitution in favour of labor, with an overall productivity-enhancing effect.

Changes in fixed-term contracts instead do not seem to have had the intended results, i.e. may have made the use of these contracts more costly rather than less costly as already pointed out by some literature in labor law.

**F11**

### **The Dynamics of Household Membership and Labour Supply Decisions of Young Adults in Britain: A Panel Data Approach** *Serkos Manoukian*

This paper examines the determinants of the decision to leave the parental home and the decision to work for young adults using the first fifteen waves of the British Household Panel Survey (BHPS). We employ a bivariate dynamic model that takes into account unobserved heterogeneity across individuals and find strong evidence of gender differences in both the relationship between the two decisions and the way these are affected by personal and parental characteristics. Furthermore, current parental incomes do not have a strong effect or in most cases they do not have an effect at all. We augment previous research done on this area by examining the effect of current parental labour supply which could affect young adults' decisions through time spent in the household rather than income. Finally we show that the two decisions should be studied one in the presence of the other since they are related through both observed and unobserved factors.

**F12**

### **20 years of German unification: evidence on income convergence and heterogeneity** *Heiko Peters, Tilman Brück*

We analyse the convergence and heterogeneity of living standards between East and West Germany since unification. Based on data from the German Socio-Economic Panel (GSOEP), we compare total individual income of permanent adult residents, including retirees and the unemployed, of East and West Germany over the fifteen years for which data are available. Using a fixed effects vector decomposition method, we estimate the gross total income difference between East and West Germans taking unobserved heterogeneity into account. Our analysis demonstrates that the negative income gap has decreased from 33 per cent in 1992 to 22 per cent in 2002, rising again to 26 per cent in 2007. Hence some convergence took place in nominal terms since unification. Constructing income gaps by decennial cohorts, we discover that the most recent cohorts have the highest negative income gap. This probably reflects out-migration from East Germany by the young and highly skilled. On the basis of quantile regressions we find a positive income gap at the beginning of the 1990s for the lower income deciles (that is higher incomes in East Germany). This was due to retirees in the East with relative long employment histories receiving transfer payments by western standards. The income gap is insignificant when accounting for heterogeneity at the area level by including area level variables to our regression.

**F13**

### **Flexicurity and wage dynamics over the life-cycle** *Lorenzo Cappellari, Paul Bingley, Niels Westergaard-Nielsen*

We investigate the relationship between the evolution of individual hourly wages over the life-cycle and flexicurity in Denmark – a combination of employer flexibility in hiring and firing, income security during unemployment and a growing emphasis on activation for the unemployed. We use 24 years of population-based longitudinal administrative data on men to model individual wage dynamics, distinguishing between a long term life-cycle profile and transitory wage shocks. We characterise flexicurity using individual membership of an unemployment insurance fund, which is voluntary (80%) and provides access to part of the flexicurity bundle of income security with activation. We find that, flexicurity is associated with lower starting-wage heterogeneity, lower growth rate heterogeneity and greater wage instability. These findings are robust across industries and occupations. While we are in

general unable to distinguish a moral hazard from an adverse selection cause, robustness checks suggest that moral hazard, combined with signalling, may be the relevant interpretation of our findings.

**F21**

### **How do Roads Spread AIDS in Africa? A Critique of the Received Policy Wisdom** *Elodie Djemai*

This paper empirically analyzes the influence of road proximity on HIV-infection using geographical data on road infrastructure and the Demographic and Health Surveys collected in six African countries. Firstly we show that living in proximity to a major road increases the individual risk of infection. This observed relationship is found to be sensitive to the use of the road and to be robust after correcting for potential selection bias related to the non random placement of people. Secondly, our findings reveal that road infrastructure improves the level of HIV/AIDS-knowledge and facilitates access to condoms, providing no support to the hypothesis that HIV-infection is purely due to ignorance and misfortune. Thirdly, we find that the increased risk of infection is driven by a higher likelihood of engaging in casual sexual partnerships that more than offsets the effect of the increased use of condoms.

**F22**

### **The Effect of Parental Involvement Laws on Youth Suicide** *Joseph Sabia, Daniel Rees*

Using state-level data on suicides from the period 1987 through 2003, we find that the adoption of a law requiring a parent's notification or consent before a minor can obtain an abortion is associated with a 15 to 25 percent reduction in suicides committed by 15- through 17-year-old females. In contrast, the adoption of a parental involvement law is not associated with a reduction in the number of suicides committed by older females or by males belonging to the same age group. These results are consistent with the hypothesis that parental involvement laws increase the expected cost of having unprotected sex, and, as a consequence, serve to protect young females from depression and what have been termed "stressful life events" such as conflict with a parent or an abortion. Using microdata drawn from the National Longitudinal Study of Adolescent Health, we find that sexually active females are at increased risk of having thoughts of suicide and of attempting suicide, but there is little evidence of a similar relationship for male adolescents.

**F23**

### **Individual Income and Remaining Life Expectancy at the Statutory Retirement Age of 65 in the Netherlands** *Marika Knoef, Adriaan Kalwij, Rob Alessie*

This paper quantifies the association between individual income and remaining life expectancy at the statutory retirement age in the Netherlands of 65. For this purpose, we estimate a mortality risk model using a large administrative dataset that covers the 1996–2007 period. Besides age and marital status, the model includes as covariates individual and spouse's income, as well as a random individual specific effect. It thus allows for dynamic selection based on both observed and unobserved characteristics. In addition it includes dynamic sample selection correction terms for individuals entering the sample after 65, who, having survived to the age of entry, are a selective group. We show these additional controls to be significantly important. Our primary empirical finding is that for both men and women, life expectancy for low-income individuals is about two-and-a-half years less than that for high-income individuals. One economic implication of this finding is that individuals' internal rate of return from a uniformly priced pension plan is positively associated with income because high-income individuals live, on average, longer than low-income individuals.

F31

### **Age-specific production systems and employment duration**

*Fries Jan, Bernhard Boockmann, Göbel Christian*

We study the relation of age-specific personnel policy programmes at the firm-level on transitions out of employment for older workers. Our interest is to analyse the effects on individual employment exit behaviour when the firm provides age-specific production systems for its employees. These programmes comprise of many different ideas: some firms offer partial retirement plans or part-time work, whereas other firms encourage workers to stay longer by providing special training, specific workplaces or mixed-age teams. For a long time, the prevailing view was that investment in training does not pay off for older workers, since the expected time until employment exit or retirement is short. This may change when firms have to rely more on older workers. Estimation results show that there is in fact a strong age effect when controlling for duration dependence. Our interest lies in the effects caused by age-specific production systems offered by the employer, such as specific workplaces and reduced working requirements, further training for the elderly, mixed-age teams, and part-time work. About 70 percent of firms in the data apply age-specific personnel policies for older workers. We group firms that apply similar personnel policies and calculate individual employment hazards for each of these groups. Do these programmes work in a way to reduce employment exits for older workers? Our first results suggest positive effectiveness of these measures, as they reduce overall employment hazards for older employees and in particular smooth hazard profiles at certain age thresholds.

F32

### **Which Personnel Measures are Effective in Increasing Productivity of Older Workers?**

*Christian Göbel, Thomas Zwick*

In order to avoid a reduction in competitiveness in times of a rapidly ageing workforce, enterprises should aim at avoiding lower relative productivity levels of their older employees in comparison to their prime age employees. This paper shows that specific equipment of workplaces for older employees and reduced requirements for older workers are associated with higher relative productivity of older employees. Age mixed teams increase the relative productivity of older and of younger employees. Flexible working times and specific training measures for older employees are not correlated with a higher relative productivity of older employees – we argue that this might be a consequence of not properly implementing them.

F33

### **Access to Flexible Working and Informal Care**

*Mark Bryan*

Flexible working is often advocated as a way to help people combine paid work with informal care. This paper uses matched employer-employee data to explore the relationship between employees' access to flexible working arrangements and the amount of informal care they provide to sick or elderly friends and relatives. Out of a range of flexible working practices, flexitime and the ability to reduce working hours are each associated with about 10% more hours of informal care. The ability to reduce working hours appears to facilitate care mainly among full-time workers, while flexitime time seems to help mainly with small amounts of care. We reject that workers needing to provide care sort into flexible jobs or that firms respond to the presence of carers by providing flexible work, but flexible jobs are associated with other aspects of the working environment that facilitate care provision. The results suggests that while flexible work makes a small contribution to reconciling work and care, it is unlikely to have a substantial effect on the amount of care provided, or to encourage labour market participation by non-working carers.

F41

### **Residential segregation dynamics in an ageing region - the Rhine-Ruhr conurbation as a case study**

*Uwe Neumann*

In regional research and politics there is an ongoing debate about a supposed “urban paradox”, i.e. increasing inequality and residential segregation among the population of large cities in spite of overall economic growth. In this discussion, so far relatively little attention has been paid to regional and local differences in the demographic characteristics of the residential population. Due to a fairly advanced stage in demographic ageing, it has so far been more characteristic of German cities than of cities in other European countries to combine economic growth with a decline in population figures. Using the largest urban agglomeration in Germany, the Rhine-Ruhr conurbation, as a case study, this paper examines to what extent overall economic and demographic change here is accompanied by changes in the residential composition of cities and neighbourhoods. Part of this conurbation, the Ruhr region, is particularly suited for this analysis, since it has experienced a dramatic restructuring of its regional economy due to the decline of the traditional coal and steel industries, throughout the past decades. As a result of long-term out-migration of younger working-age residents, the Ruhr now represents a highly advanced stage in the demographic ageing process. Based on aggregated data for cities and sub-city districts, this paper contrasts regional and local segregation dynamics in the Ruhr with that of other parts of the Rhine-Ruhr conurbation (Düsseldorf, Cologne, Bonn), where regional economic and demographic conditions differ from that of the Ruhr to a considerable extent.

F42

### **Evolution of Instability on the French Labour Market During the Last Thirty Years**

*Romain Aeberhardt, Claire Marbot*

Employment stability on the French labour market has been rarely studied although it has become the first determinant of earnings. Our 30-year longitudinal matched employer-employee database allows us to describe its evolution by studying the duration of employment spells. The analysis of survival rates and the modeling of the duration of the spells clearly show that instability has increased in the last 30 years. Moreover there is a variety of situations depending on the characteristics of the employees. Individuals under 25 are both the most unstable and those who have experienced the highest rise in instability. Executives are the most stable employees, and after a period of convergence between socio-occupational categories, the difference has become as large as it was before. In a second part, we aim at taking into account unobserved heterogeneity at both firm and individual levels with a double fixed effects model. Our estimates suggest in particular that the younger the cohort, the more their individual instability and the more frequently they work in firms which do not keep their employees long. Besides this, office clerks and service workers are the less stable socio-occupational category in terms of individual stability, while skilled and unskilled workers are those who work in the firms which keep their employees the least.

F43

### **The Impact of the French Enterprise Zones on Employment, Business Creations and Pre-existing Businesses**

*Pauline Givord, Roland Rathelot, Patrick Sillard*

41 Zones Franches Urbaines (the French Enterprise Zones) were created on 1st January 2004. Defined on the scale of a neighborhood, their purpose was, via a number of exemptions from tax and social security contributions granted to companies located in these territories, to revitalize neighborhoods characterized by a high concentration of social problems. This paper provides an econometric evaluation of the economic effect of these zones, using others sensitive neighborhoods (ZRUs, Urban Rehabilitation Areas) as controls. We use a propensity score matching method to deal with selection. We merge several administrative firm-level datasets, providing with precise information on location, demography, employ-

ment and balance sheets of firms. At the extensive margin, the impact of ZFU classification on business and job creations is significant and positive. However, two thirds of the increase in raw business flows is due to the transfer of economic activities from areas not targeted by the system. At the intensive margin, we observe a small impact on employment of companies which were already located in ZFUs before these were created.

**F51**

### **Does Uninsurance Affect the Health Outcomes of the Insured? Evidence from Heart Attack Patients in California**

*N. Meltem Daysal*

One of the major challenges confronting policy makers today is the persistently high rate of U.S. residents who do not have health insurance. Any health care reform that aims to tackle this issue requires a solid understanding of the effects of uninsurance on society. In this paper, I examine the impact of uninsured patients on the health outcomes of the insured. I focus on one measure of health outcome, the in-hospital mortality rate of insured heart attack patients, and implement panel data models using patient discharge data from California hospitals for the period 1999-2006. Overall, my results indicate that uninsured patients have an economically significant effect on the health outcomes of insured heart attack patients. I show that these results are not driven by unobserved characteristics of insured heart attack patients or hospitals and that they are robust to a host of specification checks. My results indicate that eliminating uninsurance would reduce the annual number of insured heart attack deaths by 125-200, roughly corresponding to a 3-5% reduction in the total number of deaths. My calculations place the marginal cost of a statistical life year saved from reducing uninsurance between \$38,093 and \$63,569, implying that reducing uninsurance may be a cost effective way of improving the health outcomes of heart attack patients.

**F52**

### **Public health care, private health investments and their interaction: a normative approach**

*Lars Lønstrup*

This paper analyzes the impacts of public provided health care on private decisions on health investments and savings. The already observed and forecasted increase in total health expenditures motivates a better understanding of the key distinguishing characteristics of public health care. The analysis is based on a two period OLG model extended with heterogeneous agents, private health investments in the ...rst period of life and public health care is provided during second period of life. The normative approach reveals that public health care imply socially too high private health investments, i.e. the private agents tends to fre-eride on the public health care system and may be taxed in a decentralized optimum.

**F53**

### **The Economics of Screening**

*Michael Hummer, Franz Hackl, Martin Halla, Gerald Pruckner*

Regular health screening is expected to improve health of participants and decrease long-term health expenditure due to early disease detection. We estimate the causal effects of participation in voluntary general health-checks on extramural health expenditure and other health-related outcomes. Based on an Instrument Variable (IV) approach with the regional pattern of general practitioners' inducement of health screening participation as exclusion restriction we analyze individual-level panel data on health service utilization for 456,260 people living in the Austrian province of Upper Austria over the period of 1998-2007. Screening participation increases next year's extramural expenditure and days of hospitalization. This can be explained by subsequent referrals of suspicious cases on to specialists (internists) for further examinations and treatments. We do, however, not detect any causal effects on the days of sick leave, number of prescribed medical drugs, and days spent on

cure. In the short-run screening participation increases service utilization, while it seems to have no causal effects on health-related outcomes in the short-run. In addition, we observe voluntary health check participation of 184,474 individuals of the Austrian province of Vorarlberg over the period 1985-2007 that allows the analysis of long-term effects of screening on mortality. First results suggest that participation in health screening lowers mortality. At the first stage we find evidence that the selection into health screening participation is driven by doctors' inducement of participation. At the second stage screening is likely to raise health service utilization in the short-run and to provide positive health effects over a longer period.

**F61**

### **Reservation Wages of First and Second Generation Migrants**

*Annabelle Krause, Amelie F. Constant, Ulf Rinne, Klaus F. Zimmermann*

This paper analyzes the reservation wages of first and second generation migrants in Germany. Based on recently collected and rich survey data of a representative sample of entrants into unemployment, we empirically test and confirm the hypothesis that reservation wages increase from first to second generation migrants, other things equal. If the wage offer distribution is unknown, the reservation wage may be a function of the job seekers' beliefs--which we argue are formed via reference groups. And these reference groups in turn may shift from one migrant generation to the next: we expect first generation migrants to still have their home country's wages in mind when forming beliefs about the wage offer distribution, while second generation migrants are supposedly more strongly attached to the host country's society and culture and thus form beliefs to a larger extent through German experiences.

**F62**

### **Microeconomic Determinants of Turkish Worker Remittances: Survey Results for Turkish Migrants in France**

*Elif Unan*

The aim of this paper is to analyze main microeconomic motivations of remittances for Turkish migrants in France. We use an original survey conducted in France with migrants eligible to the reception and integration contract. Our econometric analysis shows that, besides altruistic motivations, intra-familial arrangements and exchange motivations play a determinant role in the remitting decision of Turkish migrants in France.

**F63**

### **Ethnicity, identity and discrimination among children**

*Jane Friesen, Jasmina Arifovic, Andreas Ludwig, Steven Wright*

Social identity theory is garnering increasing attention in economics. A number of experimental studies that compare economic behavior across neutral conditions and conditions where identity is made more salient, either by inducing artificial identities or priming natural identities, have shown that social identity can have important effects. The salience of social identities in natural (non-experimental) environments is an important and understudied question. We engaged 524 children aged five through nine years in a series of activities that measure their attitudes, perceived similarity and behavior with respect to three ethnically phenotypic categories (White, East Asian, and South Asian). We find that children from the dominant, high-status White/European group have the most favourable evaluations of and identify most strongly with the White ethnic category. Lower-status East Asian children tend to associate themselves with the high-status White category as well as with East Asians. These social identities are expressed in children's allocations in the dictator game - White/European children show clear pro-White bias, but East Asian children do not discriminate.

**F71****Active labor market policy by a profit maximizing firm***Ruud Gerards, Joan Muysken, Riccardo Welters*

A wide body of literature reports that public efforts to lead the unemployed back to work are not very successful. This paper studies the Philips Employment Scheme (PES), a private sector program to help long-term unemployed back to work. For the period 1999-2005 we compare the PES to the public re-integration efforts and we find that the PES has a relatively low deadweight loss and a high net treatment effect. It is more effective than public re-integration efforts. Furthermore we find that even with a heterogeneous mix of participants, the chance of finding a job after the PES does not vary much between participants. In addition we have explored the notion that Philips might make use of the PES as an additional recruitment channel for regular vacancies within the company, and find evidence that seems to support this. Finally we point out some interesting avenues for further research.

**F72****Productivity, wages and the returns to firm-providing training: who is grabbing the biggest share?***Ana Lopes, Paulino Teixeira*

In spite of the importance of workplace training in human capital accumulation, relatively little is known on its returns for workers and firms. Our investigation tries to fill this gap by developing an alternative modelling that examines the determinants of firm productivity and wages, on the one hand, and the internal rate of return to firm training investments, on the other. Our estimates, obtained using a firm-level dataset in which we have detailed information on firm-provided training, indicate that an additional hour of training per worker implies a 0.09% increase in productivity. We also found that 2/3 of the gains in productivity are captured by firms and 1/3 by workers. In turn, the internal rate of return for an average firm in our sample is equal to 11%, while for workers it is considerably higher at 22%. As expected, the dispersion across firms is very high, with 70% of firms having a positive internal rate of return for an annual depreciation rate of 35%.

**F73****Returns to Company Training - Evidence from a New Approach Using Quasi Experimental Data***René Fahr, Sabine Simons*

In the present paper we estimate wage returns to company training using representative individual-level cross-sectional data for the years 2000 and 2003 for Germany. We employ the approach proposed by Leuven and Oosterbeek (Journal of Applied Econometrics 2008) to identify average treatment effects on the treated. While OLS estimates identify a 7.5% wage premium for participants in company training the positive returns vanish when restricting the comparison group to eligible employees who declined participation in training due to some random event. The fact that most of the training serves the purpose of adjustment to new job requirements might explain our findings.

**G11****Long-Term Impact of Active Labour Market Policy: Evidence from a Social Experiment in Denmark***Sylvie Blasco, Michael Rosholm*

While job search theory predicts that active labour market policies (ALMPs) can affect post-unemployment outcomes, empirical evaluations have mostly focused on the impact of ALMPs on exit rates from the current unemployment spell. We use a social experiment which was conducted in Denmark in 2005-6 to investigate the potential long-term effects of a dramatic intensification of ALMPs. We evaluate the impact of treatment on post-unemployment employment stability, exits from the labor market and more generally on the transitions on the labour market up to 2.5 years after randomization. We estimate a multi-state and multispell duration model with lagged duration dependence to separately identify

“indirect” (through previous shorter unemployment duration) and “direct” (through a more efficient matching process) long term effects of ALMPs. We adopt time-varying treatment and allow for ex ante effects of ALMPs. We find that intensive activation significantly reduces unemployment recurrence for men, but not for women. The positive impact of the treatment remains significant and of the same magnitude when we control for lagged duration dependence.

G13

### **Does subsidized employment help redundant workers to get a good quality job? A causal assessment of the Mobility Lists Programme in Italy**

*Buligescu Bianca, Borghans Lex, Dupuy Arnaud*

The topic of this paper is extremely relevant, for present times when economies are still restructuring after the financial crisis. This paper investigates whether a particular policy instrument, subsidized employment, can help redundant workers to reintegrate in the economy. Therefore this paper investigates the following research question: “Do participants in an active labor market policy increase their chances of employment or are they stigmatized by potential employers?”. The paper focuses on the effects of Mobility Lists programme in Italy, on wages and employment length of redundant workers using three administrative datasets for the Veneto region in Italy over a period of a decade (1991-2001). The data has been merged using a probabilistic record matching applied to job spells. The main contribution of this paper to the existing literature is measuring the local average treatment effect of the programme by exploiting a discontinuity in the firm size. We use a fuzzy regression discontinuity design to investigate the effect of the programme for a sub-sample of collectively dismissed workers on the length of the first employment spell and wage. Based on the analysis, we discuss the theoretical implications of the programme from a human capital theory and signaling perspective. Several policy recommendations are made.

G13

### **Direct job creation in Germany revisited: Is it effective for welfare recipients and does it matter whether participants receive a wage?**

*Katrin Hohmeyer, Joachim Wolff*

Bringing welfare recipients into jobs is a major goal of a German labour market policy reform in the year 2005. To achieve this goal major emphasis was given to job creation schemes which provide participants with temporary subsidized jobs mainly in the non-profit sector and differ only with respect to a few features. We study and compare the effectiveness of three job creation schemes for welfare recipients for the programme inflow in mid 2005. This enables us to study the implications of single programme features for effectiveness. A major difference is that the traditional job creation scheme and work opportunities as contributory jobs provide participants with regular earnings, while in the One-Euro-Job scheme they only receive their benefit and additionally a small allowance to cover costs of working. Hence, participation in the latter programme in contrast to the other two programmes should provide higher incentives to search for regular jobs. We estimate participation effects on employment outcomes, earnings and welfare benefit levels with propensity score matching using rich administrative data. We find that the programmes are partly effective in moving welfare recipients to work and reducing their welfare benefit dependency. Moreover, our findings do not imply that for participants in the two schemes offering regular wages the incentives to search for regular jobs are much lower than for the alternative One-Euro-Jobs. Only with work opportunities as contributory jobs commercial jobs can be subsidized. This may explain why we find the most beneficial impacts for participants in this programme.

G21

**Piece Rates and Workplace Injury: Does Survey Evidence Support Adam Smith?**

*Colin Green, Keith Bender, John Heywood*

Piece rates are routinely associated with greater productivity and a positive wage premium. Yet, piece-rates may also generate unanticipated and unprofitable effects. This paper uses cross-country European data to demonstrate a strong link between piece rates and workplace injury. Despite unusually good controls for workplace hazards, job characteristics and worker effort, workers on piece rates suffer a 5 percentage point greater likelihood of injury. As injury rates are typically not controlled for when estimating the premium to piece rates, our results raise the specter that a portion of the return to piece rates reflects a compensating wage differential for risk of injury.

G22

**Shift Work, Compensating Wage Differentials and the Impact on Leisure**

*Juliane Scheffel*

The share of shift work is steadily rising in Germany. I use German TimeUseData for the year 2001/02 to assess whether men choose to work shifts due to the associated wage premium or because of preferences. I find a significant and strong selection into shift work suggesting that workers with lower potential daytime earnings are more likely to choose shift work due to the associated wage differential. Additionally, I find a considerable wage premium for shift work. Moreover, I analyze the impact of shift work on the private life and more specifically on the fraction of leisure spent alone. Older men with employed partners and those who work during weekends are most strongly affected by shift work.

G23

**Wage flexibility in regional labour markets: Evidence from Italy and Germany**

*Andreas Ammermüller, Claudio Lucifora, Federica Origo, Thomas Zwick*

This paper investigates the functioning of regional labour markets in Italy and Germany for different employee groups and regions. We derive theoretical hypotheses on group specific correlations between regional unemployment and individual wages distinguishing between regions. Using micro data matched to local unemployment rates, we specify and empirically test wage equations. For Italy we find no evidence in favour of a relationship between wages and local unemployment. In Germany results appear to be sensitive to model specification and type of employees. In both countries, the reaction of wages to local unemployment varies significantly along the wage distribution, being more sensitive around median quantiles.

G31

**The Impact of the 2008 Recession on Intra-Monthly Consumption: Clean Evidence of Time Inconsistency.**

*Francesco Manaresi*

Using daily expenditure data from a large panel of Italian households, this paper studies the effect of the 2008/09 crisis on the intra-monthly pattern of consumption for households receiving a monthly wage or pension. Since each household is observed both pre- and during the recession, I perform a difference-in-differences analysis to evaluate the impact of the crisis on intertemporal smoothing. Results show that households with access to credit markets were able to smooth their consumption between paydays, while liquidity constrained households that were negatively hit by the crisis experienced a significant drop in their food consumption pattern from the fourth week after the income receipt. The findings for liquidity constrained households are not consistent with the standard PIH, but can be explained by self-control problems (as modelled with hyperbolic discounting). Results are robust to several definitions of liquidity constraints.

G32

### **Consumption Growth and Inequality in a Heterogeneous Agent Model: Theory and Evidence from German Data**

*Runli Xie*

This paper studies the structure and dynamics of consumption and consumption growth inequality. The theoretical framework is a heterogeneous agent model with stochastic labor endowments, where the group mean consumption enters individual households' utility function as consumption externality. The main finding is that households' preferences affect the within-group consumption growth inequality through asset holding decisions; within-group inequality decreases with groups' degree of patience, and increases with households' eagerness to keep up with the group mean. The relationship between the group mean consumption growth and within-group growth inequality predicted by the model equilibrium is shown as slightly positive yet significant, when a synthesis study is carried out using survey data from the German Socio-Economic Panel (GSOEP) and the Einkommens- und Verbrauchsstichprobe (EVS). Age and household size are crucial for within-group inequality, as young and/or small households are more sensitive to income and consumption shocks. Large and well-educated households with unskilled jobs have undergone surprisingly inferior performance in consumption growth and growth variance. Moreover, the data also shows increases of within-group inequality directly after the reunification and the introduction of the euro.

G33

### **Shocks and Household Repayment Behaviour in the EU**

*Charles Grant*

Household often default on their debts when they suffer some misfortune or adverse event, such as a job loss or a substantial decline in income. By using household data from a sample of European households (contained in the ECHP), this paper estimates the importance of such shocks in repayment behaviour, specifically allowing for the fact that some households are more likely to repay than others. It finds that these shocks are important in explaining whether debts are paid when due.

G41

### **Economic Conditions and Youth Crime**

*Yun-Shan Chan*

Traditionally, researches in sociology and psychology locate the origin of juvenile crime in family breakdown, supposedly abnormal systems of family functioning or other genetic and biological factors. They agree the role of economic incentives in crime but claim that such incentives may not be so relevant for youth. Work is a turning point for older offenders, but not younger ones. With the instrumental variables (IV) methods and the 1997 cohort of National Longitudinal Survey of Youth (NLSY97), I find that the impact of work and wage on youth behavior is substantial as well as the influence from the family and peers. Young workers are 5 to 11% less likely to commit a crime than non-working youth. For young workers, an one unit increase in log wage will decrease the probability of committing a crime by 3 to 5%. Beside, the hazard of committing the first crime increases in the young group. This result is consistent to the previous studies that the peak ages of crimes in the middle teens to early twenties.

G42

### **Police and Thieves in the Stadium**

*Olivier Marie*

The impact on local crime rates of hosting large sporting events is complex. It is not limited to the documented increases in violence resulting from (i) the concentration of hostile fans. One must also consider the impact on crime of: (ii) the displacement of police personnel sent to monitor the event and (iii) the voluntary incapacitation of a substantial number of individuals who are assisting it. In this paper I exploit information on football (soccer)

matches for nine London teams linked to detailed recorded crime data at the area level to empirically estimate those impacts. Our findings show that only property crime significantly increases in the communities hosting football matches but that they experience no changes in violent offences. These results are robust to controlling for a large number of game type and outcome characteristics. There is no evidence of temporal displacement of criminal activity. Our conceptual model suggests that the away game attendance effect on crime is due to voluntary incapacitation of potential offenders. I argue that the police displacement effect of hosting a match increases property crime by 7 percentage point for every extra 10,000 supporters.

**G43**

### **One Last Puff? Public Smoking Bans and Smoking Behavior**

*Thomas Siedler, Silke Anger, Michael Kvasnicka*

This paper investigates the short-term effects of public smoking bans on individual smoking behavior. In 2007 and 2008, state-level smoking bans were introduced gradually in all of Germany's sixteen federal states. We exploit this variation in the timing of state bans to identify the effect that smoke-free policies had on individuals' smoking propensity and intensity. Using rich longitudinal data from the German Socio-Economic Panel Study, our difference-in-differences estimates show that the introduction of smoke-free legislation in Germany did not change average smoking behavior in the population. Individuals who were exposed to public smoking bans were neither less likely to smoke nor did they smoke less. However, our estimates point to important heterogeneous effects. Specifically, we find the young, singles, and those living in urban areas both to be less likely to smoke and to smoke less intensively following the introduction of public smoking bans.

**G51**

### **The Impact of ICT Investments on the Relative Demand for High-, Medium-, and Low-Skilled Workers: Industry versus Country Analysis**

*Dorothee Schneider*

In this paper I analyze the effects of information and communication technology (ICT) on compensation shares of high-, medium-, and low-skilled workers. Compared to other studies, I investigate this question using a considerably richer data set with respect to the length of time series, set of countries and industries, and information on ICT. Next to investigating the influence of ICT in 14 countries, I concentrate on the analysis in 23 separate industries. The results I find show that the skill-biased technological change hypothesis is rejected if single countries are analyzed with an industry panel, while I find that technological change is a cause of changes in the relative compensation shares in single industries. Here there is a positive influence of ICT on high-skilled workers' relative compensation for the time before 1995, while ICT investments drive the medium- and low-skilled compensation shares together for a substantial amount of industries, especially since 1995.

**G52**

### **Does Labour Diversity Affect Firm Performance?**

*Pierpaolo Parrotta, Dario Pozzoli, Sanne Hiller, Mariola Pytlikova*

Using a comprehensive linked employer-employee dataset, we analyze how diversity in cultural background, skills and demographic characteristics affects total factor productivity (TFP) and patenting behaviour of firms in Denmark. Implementing structural estimation of the production function, we find evidence that all three dimensions of labour diversity significantly enhance firm performance as measured by firm TFP. Moreover, we find that larger shares of younger workers facilitate the exploitation of labour force heterogeneity in terms of productivity. Further we provide novel evidence on the effect of diversity on firm innovation as measured by firm patenting activity. Using count data models, we find large and significant effects of skill diversity on patenting activity, whether the effects of other diversity dimensions on innovation are less robust.

G53

### **On the Reform of a Firm's Hierarchical Workplace**

*Gerard Pfann, Ben Kriechel*

In this paper we study the joint decision process of changing the structure of jobs and laying off individual workers in a firm that downsizes its workforce. A hierarchical decision model is derived and estimated using personnel data from a firm in demise comparing the characteristics of the individual workers and the structure of the firm's labor force before and after its reorganization. Authority of the top and lower management was increased while the authority of the middle management was diminished. This non-monotonic change in the structure of jobs is shown to be due to the firm's compound response to innovations and transaction costs. These findings motivate the development of richer theoretical models of management structure and assignment to help explain the dynamic structural changes of a firm's workforce.

G61

### **Temporary Layoffs and Incomplete Worker Attachment in Search Equilibrium**

*Anna Chizhova*

This paper revisits the no-attachment assumption in job search models with random productivity fluctuations and Nash-bargaining. It also extends the implicit contract literature on temporary layoffs by allowing workers to search in attachment, thus firms gain from a valuable option to recall, while workers gain from a higher reservation wage when bargaining with a new employer. Ex-post differentiation of workers into attached and unattached unemployed produces endogenous binary wage dispersion. The Hosios value of the bargaining power is no longer constrained efficient. The equilibrium inefficiencies are twofold: when changing attachment workers impose a negative externality on their former employer originating from a loss of the recall option. This inefficiency tends to produce excessive job creation and is additionally amplified by the inefficient wage dispersion. The model is calibrated to the U.S. economy and the minimum inefficiency is estimated to be 0.35% of the expected net output per worker.

G62

### **A Dynamic Politico-Economic Model of Intergenerational Contracts**

*Alessia Russo, Francesco Lancia*

In this paper we investigate the conditions for the emergence of implicit intergenerational contracts without assuming reputation mechanisms, commitment technology and altruism. We present a tractable dynamic politico-economic model in OLG environment where politicians play Markovian strategies in a probabilistic voting environment, setting multidimensional political agenda. Both backward and forward intergenerational transfers, respectively in the form of pension benefits and higher education investments, are simultaneously considered in an endogenous human capital setting with distortionary income taxation. On one hand, social security sustains investment in public education; on the other hand investment in education creates a dynamic linkage across periods through both human and physical capital driving the economy toward different Welfare regimes. Embedding a repeated-voting setup of electoral competition, we find that under the dynamic efficiency scenario both forward and backward intergenerational transfers simultaneously arise. The equilibrium allocation is education efficient, but, due to political overrepresentation of elderly agents, the electoral competition process induces overtaxation compared with a time-consistent Central Planner solution with balanced welfare weights.

G63

### **Public Sector Employment in an Equilibrium Search and Matching Model**

*James Albrecht, Susan Vroman*

In this paper, we extend the standard Pissarides model of equilibrium unemployment in three directions. First, we assume that workers are heterogeneous in terms of human capital. Second, we assume that productivity is match specific and that the distribution of match-

specific productivity is more favorable in the sense of first-order stochastic dominance the higher is a worker's human capital. Third, we allow for both private- and public-sector employment. In this preliminary version of the paper, we lay out the model and prove the existence of equilibrium. In the next version of the paper, we will numerically analyze the effects of public-sector employment policy on the distributions of wages, productivities and human capital levels in the two sectors and on overall employment and welfare.

**G71**

### **Migration Background and School Tracking: Is there a Double Disadvantage for Second-Generation Immigrants?**

*Elke Luedemann, Guido Schwerdt*

Research on educational disadvantages of second-generation immigrants largely focuses on differences in student achievement tests. Exploiting data from the German PIRLS Extension, we provide evidence that second-generation immigrants face an additional disadvantage when tracked into different types of secondary school. We find that second-generation immigrants are less likely to receive a teacher recommendation for a higher school track. This difference cannot be attributed to differences in test scores or general intelligence alone. To the extent that school track attendance affects future educational outcomes, migrant-native test score gaps underestimate educational inequalities in tracked school systems.

**G72**

### **Language Fluency of Immigrants and Ethnic Concentration in Germany**

*Firat Yaman, Alexander Danzer*

The main difficulty in studies that investigate the effect of ethnic concentrations in neighborhoods on outcomes of immigrants has been to account for the self-selection of immigrants into high-concentration neighborhoods along unobservable characteristics. We analyse the impact of ethnic concentration on the language proficiency of immigrants by exploiting the fact that initial placement of immigrants who were recruited in the framework of the German guest-worker program was determined by the requesting firms and the federal labor administration instead of the workers. We find a small, but robust and significant effect of ethnic concentration on immigrants' German skills. Simulation results of a choice model in which location and learning decisions are made simultaneously confirm the presence of the effect, but also suggest that immigrants with high learning costs move to high-concentration regions, so that even under the counterfactual scenario of equal distribution of immigrants across Germany the increase in the share of German-speakers would be negligible.

**G73**

### **Immigrant Labour Market Outcomes: The Importance of Social Networks**

*Anna Pii Damm*

First, I investigate whether a large and high quality of the social network promotes employment of Non-Western immigrants. I carry out the analysis by conducting interviews in 2006 about social network characteristics and job search channels of a random sample of 4400 immigrants from Iran, Turkey and Pakistan and 1400 natives (Danes). I link the survey information with administrative records on labour market outcomes in 2006. My findings suggest that an immigrant have better employment chances if his friends and other contacts are predominantly employed and if he has a strong work ethic, while having an above average number of contacts only seem to promote employment of immigrants who lack employed contacts. Second, I investigate whether the relatively low employment rate of non-Western immigrants in Denmark can be explained by overrepresentation of non-Western immigrants in socially deprived and ethnically segregated neighbourhoods, lowering the quality of their social network. I argue that refugees were initially randomly assigned to a neighbourhood due to a Danish Spatial Dispersal Policy on Refugees. I link the survey information for refugees with information about the neighbourhood of assignment and provide quasi-

experimental evidence i) that assignment to a socially vulnerable neighbourhood increases (decreases) the employment probability of male (female) refugees, ii) of negative self-selection into socially vulnerable neighbourhoods and iii) that living in a socially vulnerable neighbourhood increases the employment probability of male refugees. Further findings suggest that living in a socially vulnerable neighbourhood increases employment of male refugees due to access to a co-ethnic network.

## Abstracts poster session

### **P1** **Does gender matter for academic promotion? Evidence from a randomized natural experiment**

*Natalia Zinovyeva, Manuel Bagues*

This paper analyzes whether academic promotions are affected by the gender of evaluators and candidates. The identification strategy exploits the random assignment mechanism that was used in Spain between 2002 and 2006 in order to select the members of promotion committees. Results are mixed. In competitions to associate professor positions, female applicants are significantly less likely to be promoted when they are assigned to a committee with a relatively larger share of female evaluators. On the contrary, in competitions to full professor positions the opposite is true. Information from publications data suggests that female candidates are discriminated by female evaluators when they apply to associate professor positions and by male evaluators when they apply to full professor positions. The evidence indicates that the source of these biases is preference-based.

### **P2** **Spillovers of Health Education at School on Parents' Health Lifestyles**

*Dolores de la Mata, Lucila Berniell, Nieves Valdés*

To prevent modern diseases such as obesity and cardiovascular conditions, which have reached epidemic-like proportions in the last decades, many health experts have called for students to receive Health Education (HED) at school. Although this type of education aims mainly to improve children's health profiles, it might also affect other family members. This paper exploits state HED reforms as quasi-natural experiments to estimate the causal impact of HED on parental lifestyles, in particular on those related to physical activity. We use data from the Panel Study of Income Dynamics (PSID) for the period 1999-2005 merged with data on state HED reforms from the 2000 and 2006 School Health Policies and Programs Study (SHPPS). To identify the spillover effects of HED requirements on parents' behavior we use a differences-in-differences" (DDD) methodology in which we allow for different types of treatments. We found evidence of a positive effect of HED reforms at elementary school on parents' frequency of light physical activity. The implementation of HED increases fathers' probability of doing physical activity seven times per week in 18.6 percentage points, although it does not seem to affect mothers' frequency of physical activity. We discuss alternative channels that may drive these spillovers. We conclude that information sharing between children and parents as well as the specialization of parents in doing gendered activities with their children may play a role in generating these spillovers and in turn in shaping healthy lifestyles within the household.

### **P3** **You Can't Be Happier than Your Wife: Happiness Gaps and Divorce**

*Holger Stichnoth, Cahit Guven, Claudia Senik*

This paper asks whether the gap in subjective happiness between spouses matters per se, i.e. whether it predicts divorce. We use three panel databases to explore this question. Controlling for the level of life satisfaction of spouses, we find that a higher satisfaction gap, even in the first year of marriage, increases the likelihood of a future separation. We interpret this as the effect of comparisons of well-being between spouses, i.e. aversion to

unequal sharing of well-being inside couples. To our knowledge, this effect has never been taken into account by existing economic models of the household. The relation between happiness gaps and divorce may be due to the fact that couples which are unable to transfer utility are more at risk than others. It may also be the case that assortative mating in terms of happiness baseline-level reduces the risk of separation. However, we show that assortative mating is not the end of the story. First, our results hold in fixed-effects estimates that take away the effect of the initial quality of the match between spouses: fixed-effects estimates suggest that a widening of the happiness gap over time raises the risk of separation. Second, we uncover an asymmetry in the effect of happiness gaps: couples are more likely to break-up when the difference in life satisfaction is unfavourable to the wife. The information available in the Australian survey reveals that divorces are indeed predominantly initiated by women, and importantly, by women who are unhappier than their husband.

**P4**

### **Ethnic School Segregation and Second Generation Immigrants' Human Capital** *Martin Nordin*

Recent research report that there is a substantial skill difference in Sweden between natives and second-generation immigrants. The objective of this study is to find out whether there exists a relationship between attending an ethnically segregated school and the individuals' human capital and the extent to which such an ethnic school effect helps to explain the skill deficits of second generation immigrants. The variation in ethnic concentration rate between cohorts within a school is generally not affecting the individual's human capital outcome. However, when estimating separate ethnic segregation effects for natives and second generation immigrants we find a positive ethnic externality, on second generation immigrants' cognitive test score and educational attainment, of having a large share of schoolmates with a foreign background. The interaction with fellow second generation immigrants do on the other hand seem to affect their Swedish skills negatively. Part from the ethnic cognitive test score gap our analysis has managed to explained the human capital gaps versus natives. In explaining the Swedish skill gap ethnic school segregation does seem to matter.

**P5**

### **Effects of placements in outside home care on children's health and education** *Signe Frederiksen*

By the end of 2006 14,276 children and adolescents (age 0-18) were placed outside home in Denmark and 11.3 billion was spent, yet we know little about the effects of outside home placements. This paper adds to the scant knowledge in this area by estimating the effects of placements in outside home care on children's short-run and longer-run health and educational outcomes in a Danish setting using propensity score matching. In Denmark very rich panel data exist on the whole population on a range of parameters: demographics, socioeconomics, health etc., therefore, the population of children placed in outside home care is present in the registers. Using these unique data it is possible to study the rare events of being placed in outside home care. This paper focuses on health and educational outcomes of all children who were born in Denmark in the period 1980-2006 and who have been placed for the first time in outside home care. Furthermore it is possible to link the children to their parents and thereby enhance the model to include the intergenerational transmission mechanisms. Children placed in outside home care are a highly selected group and therefore it is difficult to find a suitable control group. Propensity score matching is used to overcome the selection bias embedded in the study population when estimating the counterfactual health outcomes of children placed in outside home care if they had not been placed in outside home care.

P6

### **Who has realistic income expectations: students or workers?**

*John Jerrim*

I analyse a nationally representative, longitudinal dataset to investigate the income expectations of 20 year old men over a 10 year time horizon. Specifically, I compare the accuracy of students' expectations to young adults from the same cohort who have chosen to enter the labour force. The results indicate that 20 year old American men overestimate their income at age 30 by an average of 50%. Yet, there is little evidence that those in the labour force are more realistic than their peers in higher education. In fact certain groups of students appear to be more realistic than those who are working, overestimating their future income by less than 10%.

P7

### **Do Couples Bargain over Fertility? New Evidence Based on Child Preference Data**

*Timo Hener*

Theoretical and empirical research has shown that households should not be considered as single decision units, but as consisting of heterogeneous individuals, bargaining over household resource allocations. In this paper we present evidence that couples also bargain over fertility. In contrast to earlier tests of bargaining models, our empirical approach makes use of child preference data from the German Socio-Economic Panel (GSOEP) to make inferences about whether bargaining power matters for intra-family decision-making. Our results also indicate that couples are not able to fully commit to household resource allocations. As women usually have lower incomes and higher child preferences than men, a policy implication of our findings is that the effect of child benefits on fertility could be enhanced by directing transfers to women.

P8

### **The effect of school choice on pupil test scores: Evidence from Dutch reform data**

*Monique De Haan, Edwin Leuven, Hessel Oosterbeek*

There has been a growing interest in the effect of school choice on pupil's schooling outcomes. Most of the studies investigating school choice use data from countries where there is very little school choice, or where the degree of choice has increased from no choice to some choice. In contrast, the Netherlands has a unique system of free school choice and this system has been in place since 1917. In addition, there is the freedom to found schools and to organize the teaching in schools. All schools, both publicly and privately run, are funded by the government as long as the number of pupils is above the minimum school size rule. In 1994 these minimum school size rules were changed, leading to a large decrease in the number of schools, in particular through mergers. Given a system of free school choice, this reduction in the number of schools implies a reduction in choice. By exploiting the fact that the changes in the minimum school size rules differed between municipalities, we examine the effect on the literacy and numeracy performance of pupils in primary education. We find a small positive impact of a substantial reduction in the number of schools on pupil achievement. This (unexpected) finding can be explained by the fact that in our setting, but also in many other settings, the change in school choice came jointly with variation in school size.

P9

### **The Relationship between Education and Smoking: Evidence from a Life-Cycle Model**

*Steffen Reinhold, Kevin Thom*

A negative relationship between education and risky behaviors such as smoking is well established. However, little is known about the causal mechanisms or the patterns of correlation between education and unobservables that drive this relationship. We develop a life-cycle model of rational smoking in which forward-looking agents make decisions based on preferences, incomes, and the future health and mortality risks of smoking. Individuals are heterogeneous with respect to their discount rates, their propensities for bad health,

and their mean incomes. The distribution of these parameters is allowed to vary across educational groups. Using data from the German Socio-Economic Panel, we estimate the parameters of the model and assess the importance of parameter heterogeneity in explaining the education-smoking gradient. Exogenous regional variation in mandatory schooling requirements in Germany also permits us to isolate the causal impact of education on smoking through the model parameters.

**P10**

### **The consequences of being different - Statistical discrimination and the school-to-work transition**

*Barbara Mueller, Stefan C. Wolter*

When information about the true abilities of job-seekers and applicants are hard to get, statistical discrimination by employers can be an efficient strategy in the hiring and wage setting process. But statistical discrimination can induce costs, if labor relations cannot be terminated in the short term and wages are fixed over a certain period. It is therefore interesting to know, by how much employers rely on easily observable characteristics and by how much they are influenced by hard to get information in their actions. In this paper we use a unique longitudinal survey that follows the PISA 2000 students in their educational and work-life career. We test whether deviance in the PISA test scores from what one would have predicted based on observable characteristics, influences the probability to succeed in the transition from compulsory school into a firm-based apprenticeship and the probability to get an apprenticeship contract in a profession with higher intellectual demand. Our results suggest that hard-to-get information plays a significant role in the transition, but in an asymmetric manner. Underachievers, students with test-scores significantly below their predicted group mean, face disadvantages in the transition, whereas overachievers do not seem to realize profit from their positive deviation.

**P11**

### **Going the Gambler's Way - The Role of Individual Risk Attitudes in Occupational Choice**

*Ingo Isphording*

This study analyzes the effect of willingness to take risks on sorting decisions with respect to occupational earnings risk. Extending the procedure proposed by Bonin (2007) to the closer ISCO88 3-digit level by using information from the German Mikrozensus, earnings risk is computed from the residuals of Mincer style earnings regressions. Using individual information from the SOEP waves 2004 and 2006, it is shown that individual risk attitudes have a significant impact on the sorting process. To control for unobserved heterogeneity, a Mundlak model is used to identify actual sorting decisions within the observational period. The identified effect of risk attitudes is considerably higher than in previous studies. A one-point increase of willingness to take risks (on the 0-10 scale of the SOEP) increases the earnings risk of the chosen occupation by 2 percent. This study is both related to previous studies concerning cross-sectional sorting processes (e.g. Bonin (2007)) and to the literature on risk attitudes and wage growth (see a for recent study e.g. Budria (2009)).

**P12**

### **Ethnic Heterogeneity and Inequality in the Spanish Labour Market**

*Catia Nicodemo*

The purpose of this paper is to analyze the heterogeneity that immigrants have in the Spanish labour market. Immigrants in Spain come from a diversity of continents (Africa, South America, Eastern Europe, Asia, etc.), and there are substantial differences in characteristics not only among continents but also among countries in each continent. Using a quantile regression method of decomposition we estimate how this heterogeneity is reflected in the labour market and in particular is mirrored in the wage, so some immigrants are more discriminated or segregated than others because they have less advantage. For example Argen-

tineans and Peruvians have the same culture and language but we can find differences in the wage that they receive in the Spanish labor market, or for example Moroccans, that have a advantage with respect to the Rest of Africans, due to the geographical proximity to Spain. When we study the pay gap or the gender pay gap we need to take into consideration this heterogeneity and its effect in the labour market.

**P13**

### **Influence of Family Background on College Attendance: Evidence from Tuition Policy Changes.**

*Natalia Kyui*

The current study concentrates on the influence of family background, labor-market conditions and existing tuition policies on educational choices. Although there is a growing body of literature on educational choices and factors determining them; there is not a lot of evidence about the joint influence of tuition policies, family background and wages expectations. We explore the natural experiment of changes in tuition policies happened during 1995-2006 years in Russia (passage from state-subsidized to mixed forms of tertiary education: on a state-subsidized and full-tuition basis). We construct and estimate the model to analyze the different influences of family background, family income, and labor-market conditions on college attendance within different educational systems. First, we allow family income and family background to affect students' abilities at the moment of college entrance. Second, we allow for heterogeneity in the college education quality. Third, we introduce an admission selection performed by colleges, strictly determined by applicants' abilities and dependent on the educational type (state-subsidized or full-tuition) and college quality (low and high quality institutions). The particular structure of the Russian tertiary education system allows us to analyze the determinants of additional financial investments into children tertiary education conditional on their abilities. The results suggest, that educational reforms in Russia during 1995-2006 years have significantly increased the importance of family income in determining college attendance, especially on a full-tuition basis. Moreover, family income, compared to parents' educational background, determines to a larger extent the sorting of students among colleges with different quality of education.

**P14**

### **Birthweight of children born into households enrolled in conditional cash transfer programs: The case of Mexico's PROGRESA-Oportunidades**

*Artemisa Flores Martinez*

This paper uses conditional and unconditional quantile regressions to investigate whether the conditional cash transfer program PROGRESA-Oportunidades had an effect on the birthweight of babies born into enrolled households in rural Mexico. The paper finds that the program effect across the conditional birthweight distribution varies from 135 grams on birthweights at the 20th percentile to 207 grams on birthweights at the 80th percentile. The estimated program impacts on the respective unconditional birthweight quantiles are very similar. Program impacts on birthweight may thus be distributionally regressive, although positive, within the treated population.

**P15**

### **The welfare use of immigrants and natives in Germany**

*Christoph Wunder, Monika Sander, Regina Riphahn*

This paper analyzes the welfare use of immigrants and natives in Germany. We describe the system of minimum income protection and explain the changes to the previous system introduced by the labor market reforms between 2003 and 2005 (the "Hartz" reform package). Using data from the German Socio-Economic Panel Study, the analysis graphically illustrates life cycle trajectories of transfer receipt for immigrants and natives, and studies the empirical linkage between contextual factors and transfer receipts. We find no evidence of statistically significant differences in the probability of transfer receipt between immi-

grants and natives, once the socioeconomic characteristics of the household are taken into account. In general, the labor market status and human capital variables are correlated with the incidence of transfer receipt. Moreover, households with children, and particularly single parent households, are more likely to receive transfers.

**P16**

### **Children's lifestyle and parents' employment**

*Jane Greve, Jens Bonke*

This paper analyzes the relation between children's lifestyle and parents' employment in Denmark. Using the Danish Time-Use Study from 2008/2009, the paper illuminates the influence of both the mother's and the father's working time on child activities related to health. We found that when mothers work more hours, their 12–17-year-old children spend significantly more time watching television. When fathers whose children exercise work more hours, the children spend less time exercising. This result holds true only among the 7–11-year-olds, suggesting that Danish fathers contribute significantly to their children's lifestyle and health from an early age.

**P17**

### **Thrifty wives and lavish husbands? - Bargaining power and financial decisions in Germany**

*Matthias Keese*

Numerous contributions in the literature show that household outcomes are influenced by the distribution of intra-household decision power expressed by indicators such as relative income of the spouses. Since women can expect a longer retirement period, increased female bargaining power may lead to higher savings and wealth accumulation. If, in contrast, saving preferences differ among sexes, a household may consume more in the current period e.g., to the benefit of the children. Using two German datasets and different measures of bargaining power, my analysis gives evidence that there is no or even a negative influence of female bargaining power on household savings and wealth when controlling for expectations on future support by public pension schemes of both spouses. Furthermore, in some specifications, I find positive associations between the wife's bargaining power and attitudes towards current consumption proxied by consumer credit and debt repayments.

**P18**

### **Immigrants-Natives complementarities in production: evidence from Italy**

*Agnese Romiti*

This paper studies the impact of immigration on the Italian labor market using administrative data on Italian private-sector non-agricultural employees during the period 1990–2004. The analysis adopts a structural model based on a four level CES production function extending the model in Card(2001) in order to allow imperfect substitution both between immigrants and natives within the same area-skill cell, and between females and males within the same area-skill-nativity status cell. The endogeneity of labor supply is controlled for by using past immigrants' settlement as in Card(2001). In detecting the impact of immigrants on natives' wages the paper deals with the potential offsetting role of natives' outmigration by comparing estimates obtained with local areas defined at regional levels and then aggregated into 5 macroareas. The results provide evidence of a small but detectable degree of imperfect substitution between immigrants and natives, whereas female and male workers turn out to be perfect substitutes with estimates robust to both definition of geographic variability. Immigrants seem not to have any effect on natives' employment. The simulation based on the estimated parameters suggests that a skill specific immigrants'inflow reduces mainly same skill immigrants' wages (-5%), and to a lesser extent different skill immigrants' wages (-1%), whereas natives' wages are unaffected.

P19

### **Too Much or Too Little Immigration? Evidence From the Non-Tradable Services Sector**

*Viki Nellas, Elisabetta Olivieri*

In this paper we study the sector of non-tradable services directly substitute of household production because it is linked with some crucial issues of the labor market (immigration, female participation, consumption spillover). Using Italian data, we look at the role played by immigration in that sector. We show that both wages and employment have grown and there is a positive correlation between the two. Moreover we find evidence of spillover consumption. Then, using a demand-supply framework, we verify that the supply growth, mainly provided by immigrant workers, has been lower than the demand one. To understand what this situation entails for the labor market and for the policy design, we consider the impact of immigrants on the female labor market condition. We identify a causal effect of immigration on some aspects of the women working life: i) higher the presence of immigrants in a restricted labor market, higher is the probability that a woman works; ii) in province where there is a greater amount of immigrants, the probability that a woman doesn't look for a work because of family reason decreases; iii) the presence of immigrants reduced the probability that a women chooses a part-time just for family reasons.

P20

### **Income Shocks and Investments in Human Capital**

*Rita Ginja*

How well can parents insure their children's future? This paper aims at answering this question by studying the link between income shocks and parental investments in children in terms of time and goods. The paper presents three main contributions: (1) estimates the degree of response to income shocks in families with young children; (2) analyzes empirically the mechanism behind the degree of insurance found, in particular, the role of wealth and public transfers, and heterogeneity in responses to shocks by education and family structure; (3) proposes a useful way to use common information in NLSY79 and CEX and ATUS to combine these three data sets and construct a panel of income, expenditures and time use. I use local business cycles as exogenous variation to families' resources. These are an unpredictable component of county unemployment rate, which I obtain after removing year and county effects from the time-series of county unemployment rate. I find that (1) families only partially insure against income shocks, but expenditures in education of children respond less to shocks than household consumption, as parents try to shield them against shocks because investments may be complements across children's life-cycle; (2) income elasticity of investments in terms of time is larger in families with young children than in families where there are only school-age children, because at early ages there is a larger substitutability between different uses of time; and (3) better off families use savings to buffer against shocks whereas poor families resort on public transfers.

P21

### **Fighting Youth Unemployment: The Effects of Active Labor Market Policies**

*Steffen Kuenn, Marco Caliendo, Ricarda Schmidl*

Recent labor market figures for the European Union 15 show, that about one quarter of all youth unemployment spells last beyond one year. As response to youth long-term unemployment, the majority of European countries have implemented specific active labor market policies (ALMP) to alleviate labor market entry for unemployed youth. These measures include specific vocational training, wage subsidies, short-term training, etc. and hosted on average about 14% of the active youth population in 2007. Despite their popularity among policy makers, many programs have not been investigated with respect to their effectiveness. Germany is a good example where in addition to the standard ALMP programs specific schemes focusing on youth were introduced. Although Germany has long been considered as an exemplary case with a labor market oriented dual apprenticeship system, recent

unemployment figures exhibit above average long-term unemployment rates for youth. This suggests that the transition to work process has become more difficult here, too. We therefore claim that an extensive evaluation of various measures implemented may also be beneficial in providing evidence on “what works for whom?” for other European countries. In our analysis, we use administrative data for Germany and apply propensity score weighting to analyze the effects of ALMP for youth. After initial locking-in effects, our results indicate positive employment and income effects for participants in vocational training, wage subsidies and short-term training. However, our results also confirm previous findings for youth, namely the overall ineffectiveness of job creation schemes.

**P22**

### **Are employees at risk of layoff mentally more ill? The causal impact of fear of unemployment on psychological health**

*Harald Tauchmann, Arndt Reichert*

The cyclical nature of labor market dynamics and its impact on health has attracted a great deal of attention since the articles by Brenner that provide evidence for an inverse association of the unemployment rate and indicators of health, such as mental illness (Brenner 1973). However, more recent empirical research finds a countercyclical response of health (Laporte 2004, Ruhm 2000). One possible explanation of this phenomenon is the rise in fear of unemployment causing mental problems. We contribute to this debate by examining whether rising job insecurity causes mental illness. We estimate a fixed effects model, using individual level data for 2002, 2004 and 2006 from the German Socioeconomic Panel (GSOEP). The GSOEP is ideally suited for this analysis because it provides detailed information on individual characteristics, the worries about the security of the job and most importantly an indicator for the mental health status (the mental component summary scale). The identification strategy rests on an instrumental variable approach, where the unemployment rate at the county level serves as instrument for the employees' risk of losing their job. This framework allows us to control for time-invariant and time-variant unobserved heterogeneity as well as tackling reversed causality bias. Our preliminary results suggest that fear of unemployment significantly - yet weakly - decreases mental health. Quantile regression shows that this effect increases for individuals whose mental health is at the lower tail of the distribution revealing a substantial problem for employees with mental issues.

**P23**

### **Do tropical typhoons smash community ties?**

#### **Theory and Evidence from Vietnam**

*Yanos Zylberberg*

In rural economies, risk-sharing arrangements through networks of relatives and friends are common. Monitoring issues seem to impede the development of informal insurance mechanisms at higher level. As such, after a large and covariate shock, the prerequisites under which informal arrangements are feasible might refrain the community from redistributing efficiently resources between sub-groups. I rely on a model of imperfect commitment to derive predictions on the sustainability of risk-sharing arrangements in the aftermath of extreme events at a higher level than usually considered by the literature. I then test these predictions on a representative panel data in Vietnam, using tropical typhoons trails and wind structures. The estimation of a structural equation derived by the theory is compatible with a model of imperfect commitment where the aftermath of natural disasters is associated with stronger enforcement mechanisms at commune level. As such, between 15 and 20 cents are covered through informal transfers at hamlet level for income losses of \$ 1 relatively to its neighbors. The influence of pre-disaster social norms and existing ties to prevent disruption of integrative mechanisms in the community gives support to this interpretation. Finally, communities having already suffered important trauma show greater signs of resilience.

## **The Implications of Changing Employment Protection: Evaluating the 1999 UK Unfair Dismissal Reform**

*Veronica Toffolutti*

The empirical results on the net impact of job security provision on employment have not been conclusive. Using the UK Labour Force Survey from 1997 to 2001, this paper examines the impact of the 1999 British Unfair Dismissal Reform on firms firing behaviour. Combining treatment evaluation techniques, namely Difference-in-Differences and Regression Discontinuity Design, with survival techniques our results show consistently that the probationary period shortening, occurred during the reform, led to a significant decrease in the probability of being laid off amounting to 1% just for the newly covered - i.e. those workers whose tenure is between 12 and 24 months, even though, the new probationary period threshold is found to be not significant. Looking at the effects of the reform on manufacturing, our evidence shows that shortening the probationary period increases the probability of being dismissed for those whose tenure is lower than 12 months. Aiming at evaluating whether this pattern was driven by a particular compositional effect we split white from blue collar workers. Our evidence supports the thesis that the effect of the reform is heterogeneous across skills.

## **The Effect of Divorce Laws on Fertility**

*Héctor Bellido, Miriam Marcén*

It is well-known that total fertility rates of European countries have decreased over the last half of the twentieth century. This reality is reaching worrying levels for several European governments, because it is beginning to hamper the generational shift. Researchers have looked at several determinants of fertility such as female labour force participation, female earnings, welfare system, institutional determinants, and even religion. In this paper, we argue that the implementation of new divorce laws in several European countries has also an important role. During the second half of the twentieth century, most European countries introduced changes in divorce laws in order to simplify the requirements to obtain the divorce, simultaneously birth rate considerably fell. In our empirical analysis, we construct a panel for 18 European countries spanning from 1950 to 1988 using data from Eurostat to analyze the effect of changes in divorce laws on fertility rates. Our results suggest that the introduction of no fault unilateral divorce leads to lower fertility levels. These results are maintained when we use different measures of fertility and even after controlling for abortion laws. We further test whether divorce laws affect abortions finding a positive impact of divorce laws on abortions. Supplemental analysis suggests that there are differences in the short-run and long-run effects of the divorce law reforms considered in this analysis. Our findings imply that divorce laws effects should be considered when formulating policies that encouraging fertility.

## **The Impact of Immigration Policy on Employers and Shareholders**

*Carl (Shu-Ming) Lin*

Most research that has been conducted on the impact of the immigration has focused on the consequences for workers (such as employment, wages, earnings, etc.). Less is known about the impact on employers. We lack answers to such questions as: How much do immigrants increase or reduce employers' profit? Which employers are most likely to gain (suffer) increased (reduced) profits as a result of immigration? Employers and their representatives often support immigration; however, employees often strongly oppose immigration. Nevertheless, we have little evidence to assess the quantitative effect of immigration on employers' welfare. In other words, whether an increase of immigrants (skilled or unskilled) may generate greater profits for employers and shareholders is still unanswered. This paper attempts to answer this question by using event study analysis from finance

theory to measure the impact of immigration legislation on the welfare of employers and shareholders, in particular on those industries which hire skilled foreign workers. Due to the high demand of skilled workers (especially in high-tech industries), the American Competitiveness and Workforce Improvement Act (ACWIA) of 1998 greatly raised the available number of H-1B visas for skilled immigrants. Hence, this paper focuses on this bill and tries to analyze whether it increases or reduces employers' profit. If yes, by how much? The empirical results show that industries which hire large number or high percentage of skilled immigrants benefit from the ACWIA of 1998. Employers and shareholders of those industries enjoy significant and positive returns after the bill was passed.





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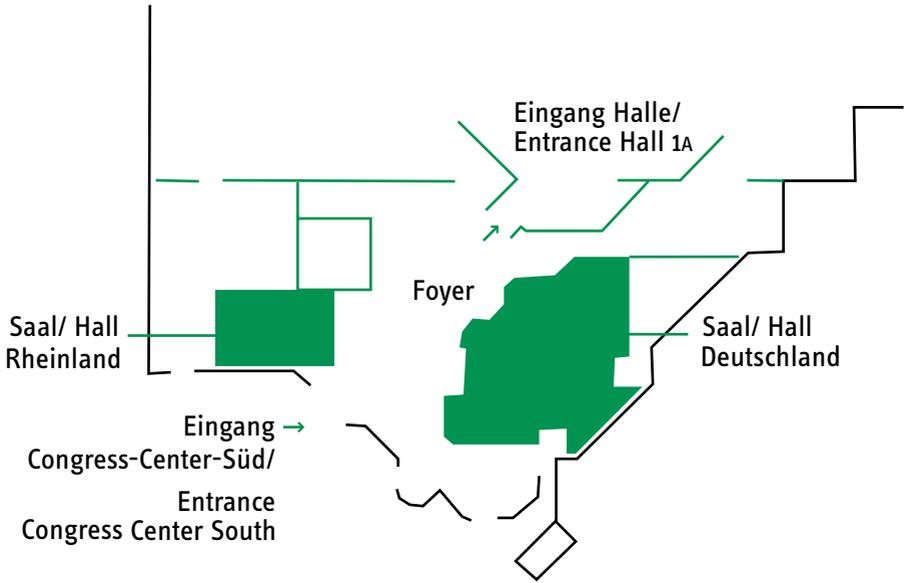
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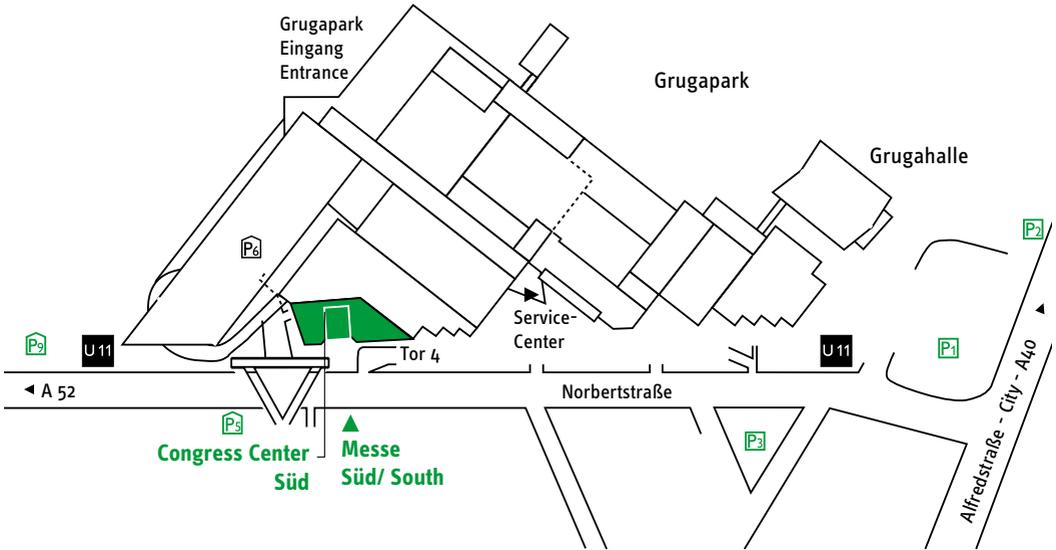




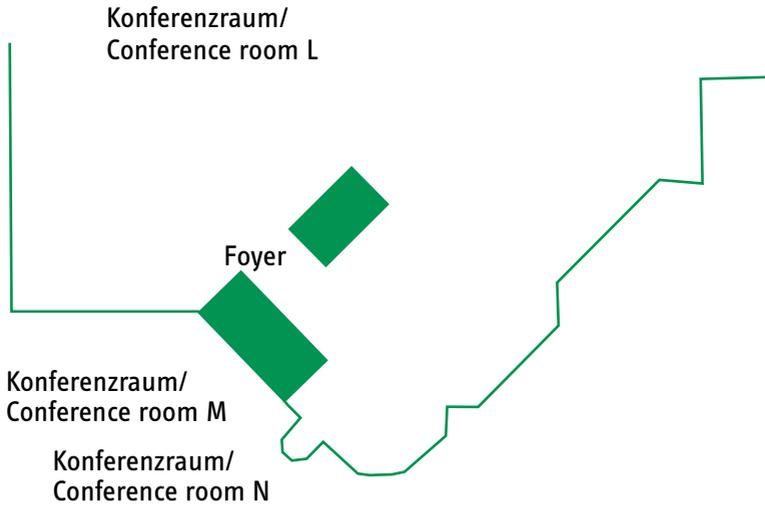
**location plan**

Untergeschoss/ Ground Floor





## Zwischengeschoss/ Mezzanine Floor



## 2. Obergeschoss/ Floor

