XX Annual Conference of the European Society for Population Economics

Population Economics

Verona, June 22-24 2006

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PROGRAMME

Wednesday, June 21

18.00-20.00 Reception and registration at the Gran Guardia Palace.

Thursday, June 22

08.00-09.00 Registration.

09.00-09.15 Welcome to ESPE 2006.

09.15-10.15 Keynote Speaker: Stephen Machin, University College of London U. K.,

　　　　　The New Economics of Education: Methods, Evidence and Policy.

10.15-10.30 Coffee Break.

10.30-12.30 Parallel Session A.

12.30-13.45 Lunch.

13.45-15.45 Parallel Session B.

15.45-16.00 Coffee Break.

16.00-18.00 Parallel Session C.

Friday, June 23

08.30-09.00 Late Registration.

09.00-11.00 Parallel Session D.

11.00-11.15 Coffee Break.

11.15-12.15 Keynote Speaker: Thomas Lemieux, University of British Columbia Canada,

　　　　　The Changing Nature of Earnings Inequality.

12.15-13.45 Lunch.

13.45-15.45 Parallel Session E.

15.45-16.00 Coffee Break.

16.00-18.00 Parallel Session F.

20.00 Gala Dinner at Palazzo Verità Poeta, vicolo San Silvestro 6.

Saturday, June 24

09.00-11.00 Parallel Session G.

11.00-11.15 Coffee Break.

11.15-12.15 Presidential Address: Patricia Apps, University of Sydney Australia,

　　　　　Female Labour Supply, Taxation and the New Discrimination.

12.15-12.30 General Membership Meeting.

15.30-18.00 Visit to the wineries: Serego-Alighieri, Villa Buri Avanzi, A. A. Gamba, A. A. Nicolis.

20.00 Opera in Arena: Cavalleria Rusticana from Mascagni and Pagliacci from Leoncavallo.

GALA DINNER AND CONFERENCE VENUES

GRAN GUARDIA MAP

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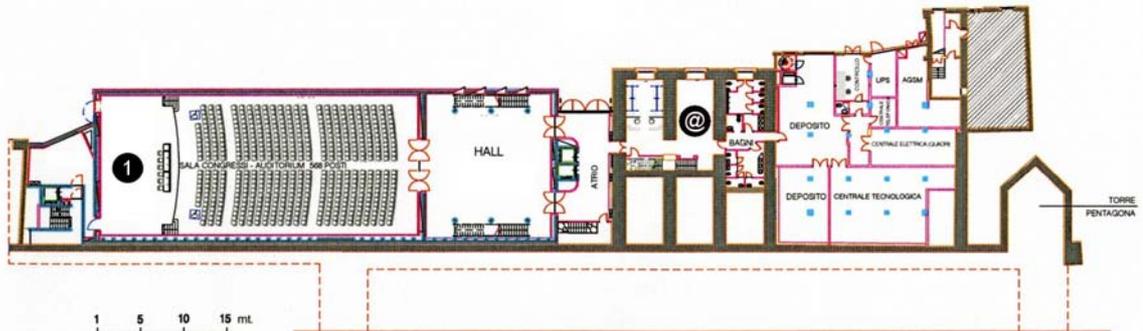
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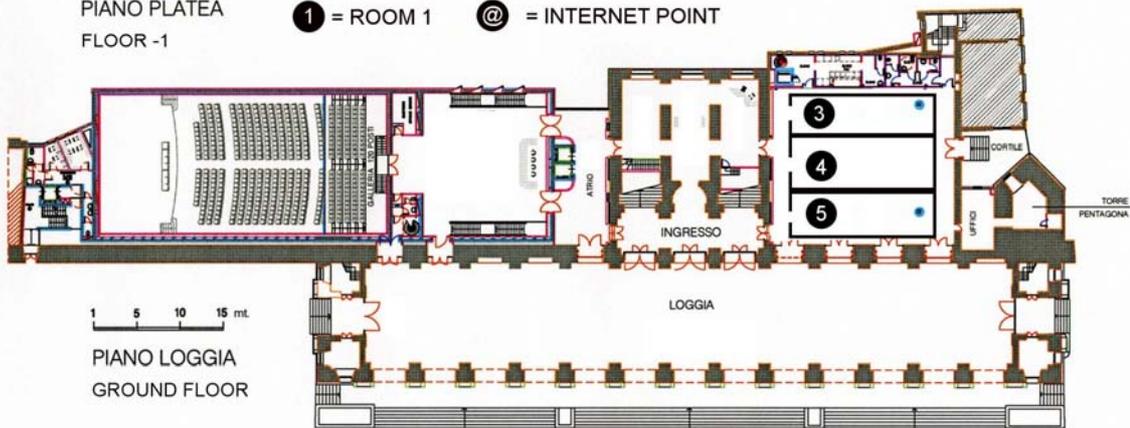
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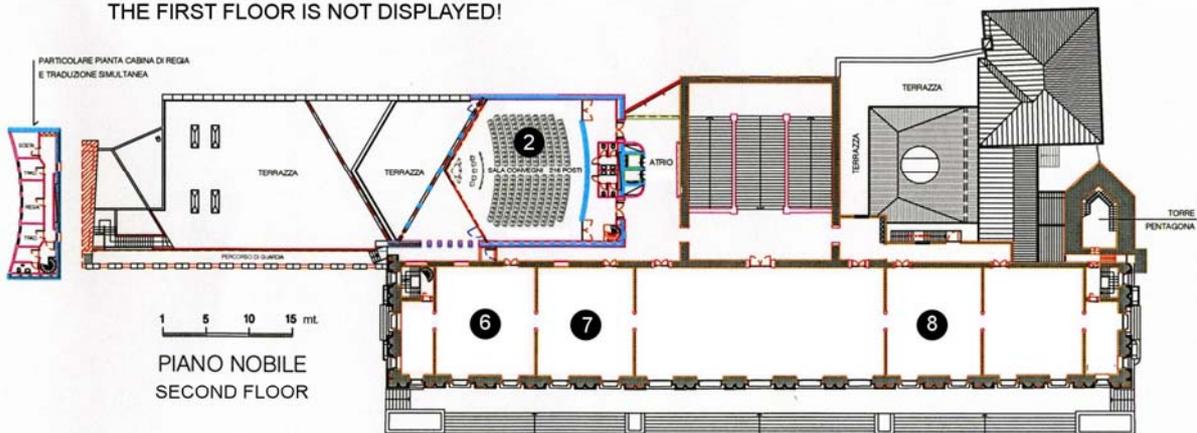
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LIST OF SESSIONS

A1 Production of Education, Chair J. S. Joensen (room 1)

Hendrik Juerges	Age at School Entry and Teacher's Recommendations for Secondary School Track Choice in Germany
Dmitri Romanov	Does Israel's Technology Track Pass the Test? Evidence from a Propensity Score Matching Estimation Study
Paul Bingley	The Effects of School Class Size on Length of Post-Compulsory Education: Some Cost-Benefit Analysis
Juanna Schroeter Joensen	Estimation of the Causal Effect of High School Math on Labor Market Outcomes

A2 Wage Differentials, Chair T. Müller (room 2)

Amelie Constant	The Gender Gap Reloaded: Is School Quality Linked to Labor Market Performance?
Jan C. van Ours	Hours of Work and Gender Identity: Does Part-time Work Make the Family Happier?
Fatma Bircan	Inequality in the Wages of Male Wage Earners in Turkey 1994-2002: A Quantile Regression Analysis
Tobias Müller	Wage Inequality and Segregation between Native and Immigrant Workers in Switzerland: Evidence using Matched Employee-Employer Data

A3 Labor Market Programs, Chair J. C. Vicinay (room 3)

Brian Krogh Graversen	Employment Effects of Different Sequences of Active Labour Market Programmes
Marco Leonardi	The Effects of Employment Protection Legislation on Wages: Evidence from Italy
Ott Toomet	Threat Effect of the Labour Market Programmes in Denmark: Evidence from a Natural Experiment
Juan Cañada Vicinay	The Employability of Older Workers in a Dual Labor Market: Assessing the Measures Taken in Spain since 2000.

A4 Substance Use, Chair S. Tiezzi (room 4)

Eleni Raptou	A Microeconometric Investigation of Cigarette Consumption: Evidence from Greece
Roger Wilkins	The effects of smoking ban regulations on individual smoking rates
Daniela Vuri	Smoking Habits: Like Father, Like Son, Like Mother, Like Daughter
Silvia Tiezzi	Addiction and the Interaction between Alcohol and Tobacco Consumption

A5 Women's Labor Supply, Chair K. Tatsiramos (room 5)

Mary Gregory	Moving Down? Women's Part-time Work and Occupational Change in Britain 1991-2001
Maria Gutièrrez-Domènech	Female Labour Force Participation in the United Kingdom: Evolving Characteristics or Changing Behaviour?

Lutz C. Kaiser	Female Labor Market Transitions in Europe
Konstantinos Tatsiramos	Employment Dynamics of Married Women in Europe

A6 Infant and Child Health, Chair L. Guarcello (room 6)

Anu Rammohan	The Link Between Infant Mortality and Child Nutrition in India: Is There any Evidence of Gender Bias?
Wiji Arulampalam	Changing Neighbourhood and Infant Mortality in Rural India
Marcus Tamm	The Effect of Poverty on the Health of Newborn Children - Evidence from Germany
Lorenzo Guarcello	Measuring Vulnerability of Children in Developing Countries. An Application to Guatemala

A7 Migration and Migrant Networks, Chair H. Rapoport (room 7)

Helmut Rainer	O Brother, Where Art Thou? The Effects of Having a Sibling on Geographic Mobility and Labor Market Outcomes
Leila Baghdadi	Mexico-U.S. Migration: Do Spatial Networks Matter?
Michele Belot	Friendship Ties and Geographical Mobility, Evidence from the BHPS
Hillel Rapoport	Self-selection Patterns in Mexico-U.S. Migration: the Role of Migrant Networks

A8 Unintended Consequences, Chair R. Pollak (room 8)

Olivier Bargain	A Theory of Child Targeting
Helene Couprie	The Unintended Effects of Targeting Women
Robert Pollak	Inefficiency in Families
G. Clydesdale - Cancelled	Immigrant Business Policy: An Erroneous Model of Entrepreneurial Behaviour

Thursday 13:45-15:45

B1 Timing of Retirement, Chair R. Winter-Ebmer (room 1)

Vincenzo Galasso	The Political Feasibility of Postponing Retirement
Roberto Leombruni	Employability of Older Workers in Italy and Europe
Getinet Haile	Labour Market Transitions among the over 50s
Rudolf Winter-Ebmer	Too Old to Work, Too Young to Retire

B2 Dimensions of Poverty, Chair C. Sofer (room 2)

David C. Ribar	The Persistence of Financial Strains among Low-Income Families: An Analysis of Multiple Indicators
Magne Mogstad	On the Definition and Measurement of Transient and Chronic Poverty
Catherine Sofer	Mood Effects and Individual Effects: Exploring Subjective Poverty in Russian Data
H. Buddelmeyer - Cancelled	The Dynamics and Persistence of Income Poverty in Australia

B3 Working Women, Chair F.-C. Wolff (room 3)

Matthew Lindquist	Gender Wage Leadership
Melanie Luehrmann	Market Work, Home Production, Consumer Demand and Unemployment among the Unskilled
Jimena López de Lérida M	The Impact of Exogenous Variation in Family Size on Women's Labor Force Participation
Francois-Charles Wolff	Do Downward Transfers Enhance Maternal Labor Supply? Evidence from around Europe

B4 Determinants of Wages, Chair S. Buhai (room 4)

Avner Ahituv	How Do Marital Status, Work Effort and Wage Rates Interact?
Lorenzo Cappellari	Earnings Instability and Tenure
Benoit Dostie	Wages, Productivity and Aging
Sebastian Buhai	Returns to Seniority: Time or Rank

B5 Out-of-Wedlock Children and Stepchildren, Chair M. Kvasnicka (room 5)

John Ermisch	An Economic Analysis of the History of Bastardy in England

Olivia Ekert-Jaffe	Does Community Property Discourage Unpartnered Births?
Richard Akresh - Cancelled	Risk, Network Quality and Family Structure: Child Fostering Decisions in Burkina Faso
Michael Kvasnicka	Paternal Uncertainty and the Economics of Mating, Marriage, and Parental Investment in Children

B6 Fertility, Chair C. Wetzels (room 6)

Holger Seebens	Bargaining over Fertility in Rural Ethiopia
Jungho Kim	Theory and Evodence of the Effect of Modern Contraceptives on Birth Spacing
Rodrigo Cerda	PAYG Social Security, Fertility and Labor Supply
Cecile Wetzels	Migration Background and Human Capital of Parents To Be and the Timing of First Birth

B7 Temporary Migration, Chair J. Mestres-Domènech (room 7)

Quamrul Ahsan	Temporary Migration and Labour Supply: Theory and Tests
Thomas K. Bauer	The Savings Behavior of Temporary and Permanent Migrants in Germany
Maja Micevska - Cancelled	Seasonal Migration
Josep Mestres-Domènech	A Dynamic Model of Return Migration

B8 Topics in Population Economics, Chair E. Korn (room 8)

Jens Bonke	Time and Money - Substitutes in Real Terms and Compliments in Satisfactions
Giam Pietro Cipriani	Productivity or Discrimination? Beauty and the Exams
Sonia Bhalotra	Religion and Death in India
Evelyn Korn	Hermaphroditism: What's not to Like?

C1 Wealth and Income Inequality, Chair N. Bauduin (room 1)

Sherrie Kossoudji	Rooms of Ones Own: Gender, Race and Home Ownership as Wealth Accumulation in the US
Edward Wolff	Household Wealth and the Measurement of Economic Well-Being in the United States
Nicolas Bauduin	Skill Dynamics, Inequality and Social Policies

C2 Human Capital, Chair B. R. Chiswick (room 2)

Urvashi Dhawan-Biswal	Reading Skills of Young Canadian Immigrants: the Effects of Length of Residency, Home Language Exposure and Schools
Maite Blázquez Cuesta	Over-Education in Multilingual Economies: Evidence from Catalonia
Tracy Regan	The Effects of Spanish-language Background on Schooling and Achievement Test Scores
Barry R. Chiswick	Computer Skills, Destination Language Proficiency and the Earnings of Natives and Immigrants

C3 Fertility Decisions, Chair A. Adsera (room 3)

Concetta Rondinelli	Income and Childbearing Decisions: Evidence from Italy
Christian Schmitt	Labour Market Integration and Fertility Decisions - a Comparison of Germany and the U. K.
Roni Frish	The Effect of Child Allowances on Fertility in Israel
Alicia Adsera	Fertility Changes in Latin America in the Context of Economic and Political Uncertainty

C4 Workplace Practices, Chair R. Jayaraman (room 4)

Rickard Eriksson	Parental Leave in Sweden - the Effects of the Second Daddy Month
Katharina Wrolich	Labor Supply and Child Care Choices when Subsidized Child Care is Rationed -The Case of Germany
Marco Francesconi	The Impact of the "In Work" Benefit Reform in Britain on Married Couples: Theory and Evidence from Panel Data
Rajshri Jayaraman	Have New Workplace Practices and Information Technologies Increased Firm Productivity? Evidence from Linked Employer-Employee Data

C5 Job Search and Unemployment, Chair M. Zagler (room 5)

Dan-Olof Rooth	Wage Effects of Search Methods for Immigrants and Natives: the Case of Sweden
Arne Uhlendorff	Differences in Unemployment Dynamics between Migrants and Natives in Germany
Thomas Siedler	Parental Unemployment and Young People's Right-Wing Extremism: Evidence from Germany

Martin Zagler   New Technologies, Growth, Cycles, and Unemployment

C6 Health and Labor Economics, Chair J.-M. Etienne (room 6)

Carol Propper - Cancelled	Is Being in a Good Labor Market Bad for your Health? The Impact of Skills and the Labor Market on Quality and Productivity in a Panel of Hospitals
Andreas Kuhn	Does Unemployment Make You Sick? Estimating the Causal Impact of Involuntary Job-Loss on Health
Eskil Heinesen	Plant Closure and Hospitalization
Jean-Michel Etienne	Health and Socio-Economic Status: Is it Measured Income or Permanent Income that Matters?

C7 Education Among Immigrants, Chair L. Page (room 7)

Gülay Özcan	Do Equal Educations lead to Equal Opportunities? Students with Swedish and Immigrant Backgrounds within the Swedish Educational System
Adam Briggs	Ethnic Segregation and the School Attainment Gap of England's Ethnic Minorities
Johanna Schneider	Return on Education for Immigrants: The Case of Highly Skilled Europeans in the United States
Lionel Page	Princeton or Prison ? A Joint Analysis of School Achievement and Crime Rate for Children of Immigrants.

C8 Consumer Markets, Chair M. Mastrogiacomo (room 8)

Paola De Agostini	The Relationship between Food Consumption and Socio-economic Status of the Family: Evidence among the British Population
Charles Grant	Informal Credit Markets, Judicial Costs and Consumer Credit: Evidence from Firm Level Data
Deborah A. Cobb-Clark	Racial and Ethnic Discrimination in Local Consumer Markets: Exploiting the Random Assignment of Military Personnel
Mauro Mastrogiacomo	Testing Consumers' Asymmetric Reaction to Wealth Changes

Friday 9:00-11:00

D1 Labor Supply, Chair D. Pavlopoulos (room 1)

Martin Halla	Labour Supply at Zero Wages: What Motivates Volunteers in the USA?
Ruth-Aida Nahum	Sickness Absence and Spousal Labour Supply
Natalia Radtchenko	Assessing the Stability of the Collective Labour Supply Model: The Russian Financial Crisis as a Natural Experiment
Dimitris Pavlopoulos	Escaping the low pay trap. Do labour market entrants stand a chance?

D2 Pensions, Chair P. Tsakloglou (room 2)

Jenny Säve-Söderbergh	Self-Directed Pensions: Gender, Risk and Portfolio Choices
Tarek Khaskhoussi	Evaluating pension reforms and retirement
Panos Tsakloglou	Pension Incomes in the European Union: Policy Reform Strategies in Comparitive Perspective
A. G. Privat - Cancelled	Retirement Pensions Inequalities to 2030 : gender or income effect?

D3 Parents to Children: Intergenerational Effects, Chair C. Nicoletti (room 3)

Erik Plug	Estimating Intergenerational Effects of Education: A Comparison of Methods
Patrizio Piraino	Comparable Estimates of Intergenerational Income Mobility in Italy
Oivind Anti Nilsen	Worker Displacement and Offspring: Are there any Intergenerational Effects?
Cheti Nicoletti	Intergenerational earnings mobility: trends across cohorts in Britain

D4 Specialization Within - Household Decisions, Chair T. McKinnish (room 4)

Hiroshi Ono - Cancelled	Specialization and Marital Happiness
Mette Lausten	Intrahousehold Specialization in Housework - A Cross-Country Application to Time Diary and Questionnaire Data
Mette Gørtz	Household Production in the Family - Work or Pleasure?
Terra McKinnish	Earnings and Spousal Mobility: Power Couples and Trailing Spouses

D5 Labor Markets I, Chair P. Haan (room 5)

Isabel Günther	Competitive and Segmented Informal Labor Markets
Jochen Kluve - Cancelled	The Effectiveness of European Active Labor Market Policy

Xiaoyang Li - Cancelled	Does the Brain Drain Lead to Institutional Gain? A Cross Country Empirical Investigation
Peter Haan	Making Work Pay in a Rationed Labour Market: the Mini-Job Reform in Germany

D6 Occupational Sorting for Job Choice, Chair H. Bonin (room 6)

Alexandros Zangelidis	Job-to-Job and Job-to-Non-Employment Transitions: Does Education Matter? A Cross-Country Comparison
Espen Bratberg	Decreasing Job Stability in Norway?
Jacques Silber	The Concept of Shapley Decomposition and the Study of Occupational Segregation: Methodological Considerations with an Application to Swiss Data
Holger Bonin	Cross-sectional Earnings Risk and Occupational Sorting:

D7 Marriage and Migration, Chair Anne Solaz (room 7)

Vibeke Jakobsen	Marriage migrants from Turkey and Pakistan on the Danish labour market
Birgitta Rabe	Dual-Earner Migration in Britain
Anne Solaz	Professional consequences of couple migration: evidence from France
Johanna Åström	Sex and Migration: Who is the Tied Mover?

D8 Transfer Progams, Chair M Makovec (room 8)

Ray Rees	Piecewise linear taxation and earnings related transfer programs
Michele Pellizzari	Welfare Magnets in Europe and the Costs of a Harmonised Social Assistance
Thomas Andren	Welfare Participation and Persistence
Mattia Makovec	Welfare participation among immigrants and natives: evidence from the Swedish Income Panel

Friday 13:45-15:45

E1 Intergenerational Transfers, Chair S. Pal (room 1)

Firman Witoelar	The Effects of Intra-household Differences in Education on Home-Leaving in Indonesia
Jose Alberto Molina	Leaving the nest in Spain: A Panel Study
Liliana E. Pezzin - Presenter: R. Pollak	Bargaining Power and Intergenerational Co-residence: Adult Children and their Disabled Elderly Parents
Sarmistha Pal	Intergenerational Transfers and Elderly Coresidence with Adult Children in Rural India

E2 Child Labor vs. Schooling for Children, Chair G.-R. Fernando (room 2)

Hayfa Grira	Delayed School Enrolment: Evidence from Rural Bangladeh
Bernhard Ganglmair	Intrinsic Competition' and the Labor-Schooling Trade-off in Uganda
Obayelu Abiodun Elijah	Analysis of Child Labour and School Attendance in Nigeria: The Present and Future Implications
Galindo-Rueda Fernando - Cancelled	Do a Few Months of Compulsory Schooling Matter? The Education and Labour Market Impact of School Leaving Rules

E3 The Gender Wage Gap: International Comparisons, Chair E. M. Galbis (room 3)

Emilia Del Bono	Is It the Way She Moves? New Evidence on the Gender Wage Growth Gap In The Early Careers of Men and Women In Italy
Hiau Joo Kee	Glass Ceiling or Sticky Floor? Exploring the Australian Gender Pay Gap using Quantile Regression and Counterfactual Decomposition Methods
Sara de la Rica	Ceilings or Floors?: Gender Wage Gaps by Education in Spain
Eva Moreno Galbis	Evaluating the Effects of New Technologies on the Gender Wage Gap

E4 Within-Household Models, Chair D. Bishai (room 4)

Jennifer Ward-Batts - Cancelled	Can Marital Bargaining or Home Production Explain the Post-Retirement Consumption Puzzle? Further Evidence from the U.K.
Almudena Sevilla Sanz	Imperfect Commitment, Social Constraints and Household Time Allocation
Aycan Celikaksoy	A Wage Premium or Penalty: Marriage Migration and Intermarriage Effects among the Children of Immigrants?
David Bishai	Far Above Rubies: The Association Between Bride Price And Extramarital Liaisons In Uganda

E5 Labor Markets II, Chair I. Geishecke (room 5)

Giovanni Sulis	Wages, Experience and Tenure: Evidence from Displaced Workers
Helene Turon	On-the-job Search, Productivity Shocks, and the Individual Earnings Process

Theis Theisen	Multiple-Job-Holding in Africa: The Case of Tanzania
Ingo Geishecker	The Impact of International Outsourcing on Individual Employment Security: A Micro-Level Analysis

E6 Topics in Health Economics I, Chair E. Fontainha (room 6)

Ana Llena-Nozal	Intergenerational Health Correlations: Is It Genes or Is It Income?
Carlo Devillanova	Social networks, Information and Health Care Utilization: Evidence from Undocumented Immigrants in Milan
John P. Haisken-DeNew	Down (Under) in the Dumps: Incidence and Impact of Clinical Depression in Australia
Elsa Fontainha	Children, Mother and Father Time Management and Perception of Stress: Families in a Rush

E7 Migration Flows, Chair M. Bugamelli (room 7)

Govert E. Bijwaard	Migration Dynamics of Immigrants: Who Leaves, Who Returns and How Quick?
Anzelika Zaiceva	Self-selection and the Returns To Geographic Mobility: What Can Be Learned from the German Unification "Experiment"
Michael Quinn	Fiscal Policy and Migration Flows: Evidence from the European Union
Matteo Bugamelli	Growth and Skilled Migrations

E8 Consequences of Immigration and Naturalization Laws, Chair K. F. Zimmermann (room 8)

Milo Bianchi	Immigration Policy and Self-Selecting Migrants
Giuseppe Russo	Barriers to Immigration and Cultural Homogeneity: Is Anything Wrong?
Francesca Mazzolari	Determinants and Effects of Naturalization. The Role of Dual Citizenship Laws
Klaus F. Zimmermann	Legal Status at Entry, Economic Performance, and Self-employment Proclivity: A Bi-national Study of Immigrants

F1 Consumption Choices, Chair D. Del Boca (room 1)

Guy Lacroix	Household Consumption Choices with Several Decision Makers
Valerie Lechene - Cancelled	Distributional effects in household models:separate spheres and income pooling
Ekaterina Kalugina	Within-Household Comparisons Using Subjective Data in a Collective Model
Daniela Del Boca	The Mismatch between Employment and Child Care in Italy: The Impact of Rationing

F2 Topics in Intergenerational Transmission, Chair J. Blanden (room 2)

Uwe Sunde	The Intergenerational Transmission of Preferences
Øystein Thøgersen	Intergenerational Risk Sharing by Means of Pay-As-You-Go Programs - An Investigation of Alternative Mechanisms
Anders Björklund	Nature and Nurture in the Intergenerational Transmission of Socioeconomic Status: Evidence from Swedish Children and Their Biological and Rearing Parents
Jo Blanden	Love and Money: Intergenerational Mobility and Marital Matching on Parental Income

F3 Family Structure and Educational Outcomes, Chair Y. Zhu (room 3)

Stephen P. Jenkins	Childhood Family Structure and Schooling Outcomes: Evidence for Germany
Monique de Haan	Birth Order, Family Size and Educational Attainment
Wilbert van der Klaauw - Cancelled	A Demographic Analysis of the Family Structure Experiences of Children in the United States
Yu Zhu	Child Support and Educational Outcomes - Evidence from the British Household Panel Survey

F4 Marital Status, Chair L. González (room 4)

Seble Worku	Marriage Markets and Marital Status of South African Mothers
Carole Bonnet	The Effect of Being Widowed on Housing and Location Choices
Sigve Tjotta	Job Loss and Divorce
Libertad González	The Effect of Divorce Laws on Divorce Rates in Europe

F5 Self-employment, Chair D. Radu (room 5)

Sincy Augustina GonzalezTijerina	Self Employment in Rural Mexico Ten Years after NAFTA
Ulrike Muehlberger	Dependent Forms of Self-employment in the UK: Identifying Workers on the Border between Employment and Self-employment
Eskil Wadensjö	Employees Who Become Self-Employed: Do Labour Income and Wages Have an Impact?

Dragos Radu   The Social Dynamics of Entrepreneurship in a Transition Economy

F6 Risky Behaviors, Chair D. Paton (room 6)

Harald Tauchmann   Tobacco and Alcohol: Complements or Substitutes? A Statistical Guinea Pig Approach

Sara Borelli   Chewing the Flower of Paradise: Economic and Social Aspects of Qat use in the Horn of Africa

Ana Gil   The Effects of Social Interactions on Risky Behavior by Young People and Its Implications for Health and Human Capital

David Paton   The Abortion-Crime Link: Evidence from England and Wales

F7 Economic Performance of Immigrants, Chair M. Sinning (room 7)

S Schurer   Labour Market Performance of First Generation Immigrants and Ethnic Germans Vis-A-Vis Comparable German Natives When Adjusting for Panel Attrition

Jonathan Wadsworth   Do Relative Gains to Migration Vary? A Comparison of the Labour Market Performance of Indians in the UK, the USA and India

Harminder Battu   Family migration and labour market outcomes: a panel investigation

Mathias Sinning   Home-ownership and Economic Performance of Immigrants in Germany

F8 Health Care, Chair C. Flinn (room 8)

Bridget Hiedemann   Formal Home Health Care, Informal Care, and Family Decision Making

Eva Deuchert   Maternal Health Care and the Spread of AIDS in Burkina Faso

Arild Aakvik   Access to Primary Health Care and Health Outcomes: The Relationships between GP Characteristics and Mortality Rates

Christopher Flinn   Household Search and Health Insurance Coverage

G1 Parental Time Effects on Child Development, Chair J. Rigg (room 1)

Georgia Verropoulou	Does Mothers' Employment Conflict with Child Development? Multilevel Analysis of British Mothers born in 1958
Christine Atteneder	Joint Custody and its Implications for Parental Bargaining: The Case of Austria
Astrid Würtz	The Long Term Effect of Parental Time Use on Children's Development
John Rigg	Parental separation and child well-being: an analysis of incorporating pre-separation conflict

G2 Demography of Aging, Chair S. Wolter (room 2)

Robert Wright	Macroeconomics impacts of an ageing population in Scotland - a CGE analysis
Stéphane Lambrecht	The effects of a demographic shock in an OLG economy with pay-as-you-go pensions and property rights on the environment
Alessandro Cigno	Is there a social security tax wedge?
Stefan Wolter	Demographic Change and Public Education Spending: A Conflict between Young and Old?

G3 Tax Economics, Chair E. Stancanelli (room 3)

Anna Batyra	Selective Reductions in Labour Taxation: Labour Market Adjustments and Macroeconomic Performace
Dan Anderberg	Tax Credits, Income Support and Partnership Decisions
Alessandro Balestrino	Tax avoidance, endogenous social norms, and the comparison income effect
Elena Stancanelli	Evaluating the Impact of the French Tax Credit Programme, "La Prime Pour L'Emploi": A Difference in Differences Model

G4 Ethnic Groups and Skilled Workers, Chair C. U. Chiswick (room 4)

Knut Røed	Organisational Change, Absenteeism and Welfare Dependency among Norwegian Nurses
Christina Gathmann	How General is Specific Human Capital? Using Mobility Patterns to Study Skill Transferability in the Labor Market
Martin Kahanec	The Substitutability of Labor of Selected Ethnic Groups in the US Labor Market
Carmel Ullman Chiswick	The Economics Ethnic Assimilation

G5 Migrants and Remittances, Chair M. G. Kırdar (room 5)

| Pierre Beaudouin | Economic Impact of Migration on a Rural Area in Bangladesh |
| Biagio Speciale | Remittances and Public Spending on Education |

Matloob Piracha   Remittances, Institutions, and Economic Development

Murat G. Kırdar   Return Migration and Saving Behavior of Foreign Workers in Germany

ABSTRACTS

Thursday 22nd, 10.30-12.30
PARALLEL SESSION A1: PRODUCTION OF EDUCATION

Age at School Entry and Teacher's Recommendations for Secondary School Track Choice in Germany

Hendrik Jürges, University of Mannheim, and Kerstin Schneider, Dept. of Economics, University of Wuppertal

Abstract: At the end of primary school, German pupils are typically given a (more or less binding) recommendation which secondary school track they should visit. This recommendation and the ensuing track choice has major effects on the entire life course, mainly through labour market outcomes. Using data from the German PISA extension study (PISA-E), we analyse the effect of age at school entry on recommendations made by primary school teachers. We find that age at school entry has a significant and sizeable effect on teacher's recommendations. Younger pupils are less often recommended to Gymnasium, the most academic and prestigious - and in terms of later life outcomes most attractive - track. Since for most pupils age at school entry is merely a historical accident, driven by institutional regulations of cut-off birth dates for primary school admittance, our study suggest that the German educational tracking system unintentionally creates inequalities in educational opportunities.
Keywords: Educational tracking, month of birth effects, instrumental variables.
JEL classification: I21, I28.

Does Israel's Technology Track Pass the Test? Evidence from a Propensity Score Matching Estimation Study

Yaacov Katz, Ministry of Education, Culture and Sport, Ofer Rimon, Ministry of Education, Culture and Sport, *Dmitri Romanov*, Central Bureau of Statistics, Noam Zusman, Bank of Israel

Abstract: This study examines the matriculation achievements of Israeli high school pupils studying in a technology track (vocational training) compared with the achievements of pupils who studied in an academic track. A straightforward comparison of the pupils' achievements would be biased, since the pupils in the technology track tend to come from modest family backgrounds and have lower-than-average personal skills compared to pupils in the academic track. In order to compensate for the selectivity of the choice of study track, we use the Propensity Score Matching estimation method. The study reveals that the percentage of pupils in the technology track who take the matriculation exam and are eligible for a matriculation certificate is small compared with the percentage of pupils from the academic track with similar characteristics (in terms of personal skills and family background). The gap persists even when we compare weaker pupils, despite the fact that one of the main goals of the technology track is to advance such pupils.
Keywords: Vocational training, propensity score matching.
JEL classification: I21.

The Effects of School Class Size on Length of Post-Compulsory Education: Some Cost-Benefit Analysis

Paul Bingley, NCRR, University of Aarhus, Vibeke Myrup Jensen, NCRR, University of Aarhus, Ian Walker, University of Warwick, Institute for Fiscal Studies and IZA Bonn

Abstract: This paper is concerned with the relationship between class size and the student outcome - length of time in post-compulsory schooling. Research on this topic has been problematic partly because omitted unobservables, like parents' incomes and education levels, are likely to be correlated with class size. Two potential ways to resolve this problem are to exploit either experimental or instrumental variation. In both cases, the methods require that the variation in both class size and the outcome should

not be contaminated by other unobservable factors that affect the outcome - like family background. An alternative approach, which we pursue here, is to take advantage of variation in class size between siblings which allows unobservable family effects to be differenced out. Our aim is to provide estimates of the effect of class size and use these to conduct an evaluation of the costs and benefits of a reduction in class sizes.
Keywords: Class size, regression discontinuity, sibling differences.
JEL classification: I22, C23.

Estimation of the Causal Effect of Math on Labor Market Outcomes

Juanna Schrøter Joensen, Department of Economics, University of Aarhus, Helena Skyt Nielsen, Department of Economics, University of Aarhus

Abstract: In this paper we exploit a high school reform to identify the causal effect of advanced high school Math courses on labor market outcomes. Students who take advanced Math courses have more favorable labor market outcomes. However, we find no evidence of a causal relationship for the students who are induced to choose Math after the reform. On the contrary, we find a beneficial effect of the course package consisting of advanced Math and Physics on earnings. This effect stems from the fact that those students end up with higher educations leading to jobs with higher earnings.
Keywords: Math, high school reform, instrumental variable, local average treatment effect.
JEL classification: I20; J24.

PARALLEL SESSION A2: WAGE DIFFERENTIALS

The Gender Gap Reloaded: Is School Quality Linked to Labor Market Performance?

Spyros Konstantopoulos, Northwestern University and IZA Bonn, and *Amelie Constant*, IZA, Bonn

Abstract: This study examines the gender gap in wages of young adults in the late 1970s, mid 1980s, and 2000, in the middle and the tails of the wage distribution using quantile regression. We also examine the importance of school quality indicators in predicting future labor market performance. We conduct analyses for three major racial groups in the US: Whites, Blacks, and Hispanics. We employ base year and follow up data from two rich longitudinal studies: the National Longitudinal Study (NLS) of high school seniors in 1972 and the National Education Longitudinal Study (NELS) of eighth graders in 1988. Our results indicate that school quality is an important predictor of and positively associated to future wages for Whites, but it is less so for the two minority groups. We confirm significant gender disparities in wages favoring men across three surveys in the 1970s, 1980s, and 2000 that are unaccounted for. While the unexplained gender gap is evident across the entire wage distribution, it is more pronounced for Whites and less pronounced for Blacks and Hispanics. Overall, the gender gap in wages is more pronounced in higher paid jobs (top 10 percent) for all groups, indicating the presence of a n alarming "glass ceiling."
Keywords: Wages, gender differences, school quality, school effects, quantile regression.
JEL classification: J16, J24, J31.

Hours of Work and Gender Identity: Does Part-time Work Make the Family Happier?

Alison L. Booth, Australian National University, IZA, and CEPR, and *Jan C. van Ours*, Tilburg University, CentER, IZA, and CEPR;

Abstract: Taking into account inter-dependence within the family, we investigate the relationship between part-time work and happiness. We use panel data from the new Household, Income and Labor Dynamics in Australia Survey. Our analysis indicates that part-time women are more satisfied with working hours than full-time women. Partnered women's life satisfaction is increased if their partners work full-time.

Male partners' life satisfaction is unaffected by their partners' market hours but is increased if they themselves are working full-time. This finding is consistent with the gender identity hypothesis of Akerlof and Kranton (2000).
Keywords: Part-time work, happiness, gender identity.
JEL classification: J22, I31, J16.

Inequality in the Wages of Male Wage Earners in Turkey 1994-2002: A Quantile Regression Analysis

Fatma Bircan, Dept. of Economics, Karaelmas University, Turkey, and Aysıt Tansel, Dept. of Economics, Middle East Technical University, Turkey

Abstract: This paper investigates the wage inequality in male wages with respect to the differences in ability and educational levels by estimating Mincerian wage equations and employing Quantile Regression technique. The analysis is carried out using the 1994 and 2002 Household Income and Expenditure survey of the State Institute of Statistics. The study concludes that wage inequality exists across the education levels and within the same educational level after controlling for various firm, industry and personal traits in both 1994 and 2002. It is also observed that there occurred a striking decline in educational returns in 2002 compared to 1994. The findings indicate that the effect of education on earnings is not uniform across the ability distribution. Returns are higher at the lower end of wage distribution for the secondary school graduates while for the university graduates highest returns are obtained at the highest end of the ability distribution. This implies that a demand shift for more skilled labor will increase wage inequality. Education and ability are found to be complements at the university level while they are found to be supplements at the secondary level. There is evidence that the public sector premium is not evenly distributed in both 1994 and 2002. Those who are in the lower tail of the wage distribution receive higher wage premium compared to the ones in the higher end of the wage distribution. Urban employment lessened the wage differentials among the urban employees across the wage distribution. The study also indicates that wage inequality between the least able and the most able became more pronounced in 2002 compared to 1994.

Wage Inequality and Segregation between Native and Immigrant Workers in Switzerland: Evidence Using Matched Employee-Employer Data

Tobias Müller, University of Geneva, and José Ramirez, Geneva School of Business Administration

Abstract: This paper focuses on the empirical analysis of wage inequality and segregation between immigrants and natives in the workplace. Our approach accounts for the interaction between skill level and immigration status (work permit). First, we calculate exposure rates in order to analyze segregation at the firm level along these two dimensions. Second, we examine the role of segregation in the explanation of wage inequality between different skill-nationality groups. We use data from the Swiss Wage Structure Survey 2002 which records individual wages among a very large sample of establishments in all industries, covering approximately 42'000 firms and 1 million workers. Our results show that interfirm segregation is particularly pronounced for unskilled foreign workers and for recently arrived, highly skilled foreigners. The former earn lower wages than equally skilled Swiss workers and the latter are paid higher wages than highly skilled Swiss workers. In both cases, interfirm segregation explains almost the entire wage differential.

PARALLEL SESSION A3: LABOUR MARKET PROGRAMS

Employment Effects of Different Sequences of Active Labour Market Programmes

Brian Krogh Graversen, The Danish National Institute of Social Research

Abstract: In several countries with active labour market policy regimes it is not uncommon that unemployed individuals repeatedly participate in active labour market programmes (ALMPs) if they do not succeed to escape unemployment. However little empirical knowledge is available about the employment effect of such sequences of programmes. Most empirical studies on the effects of ALMPs restrict attention to the effect of a single programme period. This paper uses a large and very informative register-based dataset on Danish welfare benefit recipients to investigate the effect of different sequences of programmes on the transition rate from welfare to jobs. A programme sequence can consist of one or two programme episodes and during each programme episode different programme types can be used. The programme effects are estimated by a modified version of the newly developed 'timing of events method'. I find that the welfare-to-job transition rate is increased if the welfare benefit recipients participate in *one* programme. However, if they participate in a second programme this will generally decrease their probability of finding employment.
Keywords: Active labour market programmes, employment effect, sequence of programmes, welfare dependence, duration model.
JEL classification: C41, I38, J64, J68.

The Effects of Employment Protection Legislation on Wages: Evidence form Italy

Marco Leonardi, University of Milan and IZA, and Giovanni Pica, University of Salerno and CSEF

Abstract: This paper uses Regression Discontinuity Design to study the wage effects of a reform that introduced unjust dismissal costs for firms below 15 employees, while leaving firing costs unchanged for bigger firms. The estimates show that male average wages were 2% lower because of the 1990 EPL reform, implying that almost 50% of the firing cost was shifted onto lower wages. The effect is concentrated among new entrants in firms below 15 employees after the reform, while no effect is found on the wages of the insiders. Among male new entrants, white collars and young workers bore the burden of the wage reduction. No effect is found on female wages. IV and quantile regression estimates yield similar results.
Keywords: Costs of unjust dismissals, severance payments, regression discontinuity design.
JEL classification: E24, J63, J65.

Threat Effect of the Labour Market Programmes in Denmark: Evidence from a Natural Experiment

Ott Toomet, Aarhus University

Abstract: We investigate the effect of active labour market programmes on the Danish social assistance recipients prior to participation. The Danish compulsory participation rules differ for "young" and "old" individuals. The age boundary between "young" and "old" was increased from 25 to 30 years in 1998. This natural experiment allows us to identify the effect before the individuals receive any information about the actual participation. We use two different register-based data sets. We show that the new rules were implemented imperfectly. The results indicate that the threat effect is small. It is even negative during the first weeks of unemployment, but turns positive after 2 months. The results are insignificant for most of the period though.
Keywords: Active labour market programs, threat effect, Markov models, Denmark.
JEL classification: J64, J68.

The Employability of Older Workers in a Dual Labor Market: Assessing the Measures Taken in Spain since 2000

Juan A. Cañada Vicinay, Dept. of Applied Economic Analysis, University of Las Palmas de Gran Canaria, Spain

Abstract: This paper explores the influence of the policies in Spain aimed at attaining the specific targets for employment rate for older women and men in the 2010 EU Agenda. In particular, we focus on the

measures to encourage employers to hire older workers on a regular basis by means of a large reduction in firms' social contributions. Given that such benefits increase with the age and are greater for women than for men, we propose a gender pseudo experimental approach for the beneficiary age groups of 55-64 and 45-54 years, with the non affected central ages of 35-44 years as the control population group. From the point of view of dual labor markets, we estimate the inflows to (re)employment, open ended contracts and inactivity separately from unemployment and temporary employment with the sliding panel between 1Q2000 and 4Q2004 provided by the matched EPA. We use competing risk duration models focusing on two statistics: the cumulated flow into specific destinations during the first year of the current spell and the marginal effect of particular independent variables. The results reveal that the 2010 targets are unattainable for Spain and they also show the significant effect of GDP growth and a weak influence of these measures, since the flows to open ended contracts improve only slightly more than alternative employments and thus we do not find substitution by older workers of middle ages workers that we might have expected. Furthermore, the retirement flows do not sufficiently diminish and the unsatisfactory performance of the training system is verified which calls for complementary measures.
Keywords: Older workers employability, hiring and remaining at work, two-tier labor market.
JEL classification: J6, J5.

PARALLEL SESSION A4: SUBSTANCE USE

A Microeconometric Investigation of Cigarette Consumption: Evidence from Greece

Eleni Raptou, Aristotle University of Thessaloniki, Faculty of Agriculture, Dept. of Agricultural Economics, Greece, Konstadinos Mattas, Aristotle University of Thessaloniki, Faculty of Agriculture, Dept. of Agricultural Economics, Greece, and Constantinos Katrakilidis, Aristotle University of Thessaloniki, Faculty of Law, Economic and Political Sciences, Dept. of Economics, Greece

Abstract: The fundamental reason to analyse smoking participation and cigarette consumption is to acquire sufficient understanding of the ways in which demand is determined in order to reduce it. This paper addresses the impact of psychosocial factors and antismoking policies on cigarette demand, controlling for various demographic and socioeconomic variables. The present study is based on primary cross section data collected via a formal questionnaire by a sample of 680 Greek consumers with probability-sampling techniques. The empirical analysis estimates a double-hurdle participation model and a tobit model, both adjusted for non-normality and heteroscedasticity of the error terms. The application of a LR test turns out that the most suitable approach for interpreting cigarette consumption is the double-hurdle participation model. The estimations indicate that psychosocial factors and antismoking policies influence significantly smoking behaviour and comprise the main determinants of cigarette demand.

The Effects of Smoking Ban Regulations on Individual Smoking Rates

Hielke Buddelmeyer, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne, and Roger Wilkins, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne

Abstract: This paper describes the dynamics of smoking behaviour in Australia and investigates what impact smoking ban regulations have on individual smoking patterns. From a public policy perspective it is important to know if these policies affect whether people smoke, or if they only influence when and where people smoke. We investigate this issue using a nationally representative household panel survey which allows us to track individuals' smoking behaviour over the period 2001 to 2003, during which time smoking bans came into effect in three of the eight state and territory jurisdictions in Australia. We exploit this variation over time and across jurisdictions to assess the impact of tougher smoking regulations. Our findings indicate that smoking is strongly correlated with education, gender, early life experiences, alcohol consumption, income, and other characteristics. Conditional on being a smoker in the previous period, we find that the single biggest predictor of quitting is pregnancy. Few other characteristics are able to explain

who quits. Conditional on not smoking in the previous period, people who drink daily or weekly and couples who separated or divorced between the previous and current periods are most likely to take up smoking. The effect of the introduction of smoking ban regulations on individuals' smoking behaviour is generally in the expected direction, albeit not statistically significant for most types of individual. However, we find a significant 'rebellion' effect among 18 to 24 year old smokers, with the introduction of smoking bans found to increase the likelihood that they continue to smoke.

Smoking Habits: Like Father, Like Son, Like Mother, Like Daughter

María L. Loureiro, IDEGA, Universidade Santiago de Compostela, Anna Sanz-de-Galdeano, CSEF, University of Salerno and IZA, *Daniela Vuri*, University of Florence, CHILD and IZA

Abstract: Reducing smoking rates among young people is a public health priority. Therefore, understanding the factors determining youth smoking behaviour is crucial for the design and evaluation of anti-tobacco campaigns directed at youths. In this paper we analyse data from the 1994-2002 waves of the British Household Panel Survey to explore the influence of parental smoking habits on their children's smoking decisions. We use instrumental variable methods in order to account for the potential endogeneity of parental smoking decisions. We find that mothers play a crucial role in determining their daughters' smoking decisions while fathers' smoking habits are transmitted to their sons. Concluding, the obtained results suggest that the success of future smoking policies may be put into question as long as parental smoking behavior is not included as an element of policy control.
Keywords: Youth smoking, intergenerational transmission, multivariate probit, instrumental variables.
JEL classification: I1; C5.

Addiction and the Interaction between Alcohol and Tobacco Consumption

Pierpaolo Pierani, University of Siena, Italy, and *Silvia Tizzi*, University of Siena, Italy

Abstract: This paper adopts a multi-commodity habit formation model to study whether unhealthy behaviours are related, i.e. whether there are contemporaneous and inter temporal complementarities in Italian consumption of alcohol and tobacco. Own and cross-price elasticities, as well as the income elasticities, are calculated from the parameters of a semi-reduced system estimated on aggregate annual time series for alcohol and tobacco expenditures over the period 1960-2002. Own price elasticities are negative and tobacco appears to be more responsive than alcohol demand, although both responses are less than unity. Cross price elasticities are also negative and asymmetric showing that alcohol and tobacco are complements. Whereby a double dividend could then be exploited, because public policy needs to tackle the consumption of one good only to control the demand of both. The asymmetry in the values of the cross price elasticities coupled with the relative magnitude of the own price responses suggest that the optimal strategy for maximizing public revenues through increases in sin goods excise taxation would be to raise alcohol taxation more than tobacco. Finally, past consumption of one addictive good does not significantly reinforce current consumption of the other addictive good.
Keywords: Co-addiction models, sin goods, GMM estimator.
JEL classification: D12, C32.

PARALLEL SESSION A5: WOMEN'S LABOUR SUPPLY

Moving Down? Women's Part-time Work and Occupational Change in Britain 1991-2001

Sara Connolly, School of Economics University of East Anglia Norwich, U. K., *Mary Gregory*, Dept. of Economics University of Oxford, U. K

Abstract: The UK's Equal Opportunities Commission has recently drawn attention to the 'hidden brain drain' when women seeking part-time work are employed in jobs below their level of educational

attainment and/or previous experience. These inferences were based on self-reporting by women. We give an objective and quantitative analysis of the nature of occupational change as women make the transition between full-time and part-time work. In order to analyse down-grading we construct an occupational classification which supports a ranking of occupations by the average level of qualification of those employed there on a full-time basis. We note that the incidence (and by implication the availability) of part-time work differs across occupations, and that occupational concentration is more acute for part-time work. Using a large sample of panel observations over the period 1991-2001 we show that women moving from full- to part-time work are approximately twice as likely to move down as up the occupational ladder, while, conversely, those moving from part-time back to full-time work are twice as likely to be moving up than down the occupational ranking. These effects are particularly marked when a change of employer is involved. Not all occupations are equally prone to downgrading; its effect is severe for managerial positions while nursing largely exempt.

Female Labour Force Participation in the United Kingdom: Evolving Characteristics or Changing Behaviour?

Maria Gutièrrez-Domènech, Bank of England, and Brian Bell, Satoha Capital U. K. LLP

Abstract: The working-age female participation rate in the United Kingdom increased by 7 percentage points between 1984 and 2002. The purpose of this paper is to quantify how much of the rise reflects changes in the socio-demographic structure of the female population and how much can be attributed to changes in behaviour or other uncontrolled factors. The paper uses a time series of cross-sections from the Labour Force Survey, and applies a method of growth accounting. The results show that, between 1984 and 2002, changes in the structure of the female population contributed to two thirds of the growth in female participation, whereas one third is explained by changes in behaviour or other factors. Interestingly , for the period 1970–83, Gomulka and Stern (1989) find that the rise in female participation was mainly driven by changes in behaviour.
Keywords: Female participation, probit.
JEL classification: J10, J21.

Female Labor Market Transitions in Europe

Lutz C. Kaiser, IZA and Research Affiliate, German Institute for Economic Research

Abstract: Using micro panel data, labor market transitions are analyzed for the EU-member states by cumulative year-by-year transition probabilities. This includes, for instance, the permanence of full-time work, transitions into flexible work like part-time employment or transition from and into unemployment or non-employment. As female (non-)employment patterns changed more dramatically than male employment in past decades, the analyses mainly refer to female labor supply. In search for important determinants of these transitions, six EU-countries with different labor market-regimes are selected as examples for an in-depth analysis (Denmark, Germany, Netherlands, Portugal, Ireland, UK). Within these countries, women's determinants of labor market transitions are compared by means of pooled multinominal logit-regressions. The outcomes hint at both, the importance of socio-economic determinants for labor supply, like the life cycle or human capital, but also address gender related differences in the paths of labor market transitions. Clearly, the observed cross-national differences are driven by specific national institutional settings. Among others, one of the most crucial features is the day-care infrastructure concerning children, which either fosters or restricts a sustainable risk management between family and work in the respective countries. In all, the countries under consideration are assigned to a scale of modernization: the wider the institutional setting allowing for a sustainable risk management of labor market transitions, the higher the level of modernization.
Keywords: labor supply, labor market transitions, socio-economic determinants, institutional setting, risk management, cross-national comparison.
JEL classification: J21, J22, J78.

Employment Dynamics of Married Women in Europe

Pierre-Carl Michaud, Rand Corporation and IZA Bonn, *Konstantinos Tatsiramos*, IZA, Bonn

Abstract: We use eight waves from the European Community Household Panel (1994-2001) to analyze the intertemporal labor supply behavior of married women in six European countries (Netherlands, France, Spain, Italy, Germany and United Kingdom) using dynamic binary choice models with different initial condition solutions and non parametric distributions of unobserved heterogeneity. Results are used to relate cross-country differences in the employment rate to the estimated dynamic regimes. We find that cross-country differences in the employment rate and the persistence of employment transitions of married women are mostly due to composition effects related to education and unobserved characteristics rather than state-dependence effects or the dynamic effect of fertility.
Keywords: Intertemporal labor supply, female employment, dynamic binary choice models, initial conditions.
JEL classification: C23, C25, D91, J22.

PARALLEL SESSION A6: INFANT AND CHILD HEALTH

The Link Between Infant Mortality and Child Nutrition in India: Is There any Evidence of Gender Bias?

Pushkar Maitra, Dept. of Economics, Monash University, Australia, *Anu Rammohan*, School of Economics and Politics, University of Sydney, Australia, and Diane Dancer, School of Economics and Politics, University of Sydney, Australia

Abstract: The excess female child mortality and sex-ratios for females in India has been widely documented in the literature. However, there is little evidence of gender discrimination in studies on child nutrition, even in those regions in India that generally exhibit strong son preference. This is surprising because the excess female child mortality is typically attributed to discrimination in intrahousehold allocation of health and food resources. In this paper, using data from the Indian National Family Health Survey (NFHS) 1998-99, we examine if there the link between infant mortality and child nutrition. Using a selection model, we examine the factors affecting the probability of survival and then, conditional on this we examine nutritional outcomes for children under 3 years of age. Our analysis finds strong evidence of gender differentials in survival probability with a female child having a lower probability of survival relative to a male child. There are also inter-state variations in survival probabilities of children. However, in the second stage, we find no gender differentials in nutritional outcomes. Interestingly, the child's birth order appears to be influential in determining nutritional outcomes. We show that the height-for-age z-score is significantly lower for children of higher birth order (later born children) and the effect is monotonically increasing.
JEL classification: J22, J23, O15, I21.

Changing Neighbourhood and Infant Mortality in Rural India

Wiji Arulampalam, University of Warwick, and Sonia Bhalotra, University of Bristol

Abstract: Childhood mortality rates in India are concentrated along geographic and family lines. Five of twenty-six states account for more than half of the under-5 deaths in the country. Within states, a small fraction of villages account for most deaths. Within villages, some families experience multiple child deaths, while others experience none. In other words, there is clustering of childhood death by region and by family. This paper uses two waves of an all-India health survey to examine two questions that these facts suggest. First, what is the effect of fertility norms and contraceptive availability on mortality rates by region? Second, would the family-level state-dependence in mortality risk identified in earlier research disappear if governments were to make contraception more widely available? Our results suggest that contraceptive availability at the district level has a significant mortality-reducing effect, but only in the second wave of the data. We also find evidence that availability of contraception reduces within-family death clustering, presumably by lengthening birth intervals. High fertility at the district level is seen to

increase mortality, but only in the first-wave of the data; it appears to have no effect on family-level clustering.

Keywords: Death clustering, infant mortality, neighbourhood effects, contraceptive use, India.

JEL classification: J1, C1, I1, O1.

The Effect of Poverty on the Health of Newborn Children - Evidence from Germany

Marcus Tamm, RWI Essen and Ruhr-University Bochum

Abstract: This paper analyses the association between health outcomes of newborn children and mother's poverty status during pregnancy and tries to identify pathways of the effect of poverty on health. The data reports several health outcomes (low birth weight, preterm birth, small height at birth, small head circumference at birth, and any confirmed disorders) as well as the number of doctor visits and visits to a hospital during the first three months after birth. The data is based on a completely new questionnaire supplementing the German Socio-Economic Panel (GSOEP) in 2003 and 2004. The econometric implementation is based on complementary log-log models for the binary health outcomes and on hurdle and zero inflated negative binomial models for the number of doctor visits and visits to a hospital. The findings indicate that there is no significant relation between poverty status and most health outcomes of newborn children. However, preterm birth is significantly more likely by more than 20 percentage points among poor mothers. Furthermore, mother's health status has a significant effect on a couple of aspects of child health, at least mother's health during pregnancy. I.e. there is clear indication of intergenerational transmission of health factors to newborn children.

Keywords: Poverty, child birth, doctor visits.

JEL classification: I12, I39, J13.

Measuring The Vulnerability Of Children In Developing Countries. An Application To Guatemala

Fabrizia Mealli, Stephen Pudney, Furio Rosati, and *Lorenzo Guarcello*, CEIS university of Rome

Abstract: Anti-poverty policy in developing countries has focused mainly on the measurement and location of poverty and the targeting of policy towards those who are currently poor. Recently, the research effort has been extended to cover those judged to be not poor at present but vulnerable to poverty in the future. We concentrate on two aspects: inadequate education and child labor, which are closely associated with chronic poverty. We develop and apply new methods for the measurement and empirical analysis of vulnerability to future premature school leaving and/or onset of child labor. Guatemalan survey data are used for the illustrative application.

Keywords: Vulnerability, child labor, school dropout, transition models.

JEL classification: D1, O1, I1.

PARALLEL SESSION A7: MIGRATION AND MIGRANT NETWORKS

O Brother, Where Art Thou? The Effects of Having a Sibling on Geographic Mobility and Labor Market Outcomes

Helmut Rainer, University of St Andrews and Thomas Siedler, University of Essex

Abstract: In most industrialized countries, more people than ever are having to cope with the burden of caring for elderly parents. This paper formulates a model to explain how parental care responsibilities and family structure interact in affecting children's mobility characteristics. A key insight we obtain is that the mobility of young adults crucially depends on the presence of a sibling. Our explanation is mainly, but not exclusively, based on a sibling rivalry effect. Siblings compete in location and employment decisions so as to direct parental care decisions at later stages towards their preferred outcome. Only children are not

exposed to this kind of competition. This causes an equilibrium in which siblings not only exhibit higher mobility than only children, but also have better labor market outcomes. Using data from the German Socio-Economic Panel Study (SOEP) and from the American National Survey of Families and Households (NSFH), we find strong evidence that confirms these patterns. The implications of our results are then discussed in the context of current population trends in Europe and the United States.
Keywords: Geographic mobility, intergenerational relationships, care of the elderly, family bargaining.
JEL classifications: D62, J13, C14.

Mexico-U.S. Migration: Do Spatial Networks Matter?

Leila Baghdadi, TEAM, Université Paris 1

Abstract: Using individual data on Mexican migrants in the United States, this study analysis empirically the role of spatial networks in the migrant's destination choice. It evaluates two concepts of networks: local and spatial networks. The former concerns the attractiveness of locations related to the stock of migrants by area whereas the latter concept is related to the access by the migrants to networks in the other counties. I analyse several levels of networks taking into account migrant's community-of-origin, state-of-origin and nation-of-origin networks. Our results show that spatial networks are more important than local ones. Moreover, I show that a location surrounded by counties with stronger networks is much more "attractive". In addition, community-of-origin networks have a larger impact in migrants' location choice than state and nation are more important than state and nation-of-origin networks, both at the local and spatial levels. However, I show that the influence of network access differs with migrant qualifications (skilled/unskilled) and status (legal/illegal): skilled and legal migrant are less attracted by locations with higher network potential.
JEL classification: F22, J61.

Friendship Ties and Geographical Mobility, Evidence from the BHPS

Michèle Belot, University of Essex, and John Ermisch

Abstract: A common finding in analyses of geographic mobility is a strong association between past movement and current mobility, a phenomenon that has given rise to the so called 'mover-stayer model'. We argue in this paper that one of the driving forces behind this heterogeneity could be the strength of local social ties. Geographical movement breaks-up local friendship ties, at least partly, and this effect could feed back into future mobility behaviour. We use data from the BHPS on the location of the three closest friends and the frequency of contacts to measure the intensity of local friendship ties. We use characteristics of the family background, such as the sib-ship size and the parental education, to instrument for the size of local friendship networks at an adult age. The results indicate that assuming the exogeneity of local social networks underestimates their absolute negative effect on mobility. After instrumenting for the size of the networks, we find that friendship networks have a substantial negative effect on the probability of moving.

Self-selection Patterns in Mexico-U.S. Migration: the Role of Migrant Networks

David McKenzie, World Bank, Development Economics Research Group, and *Hillel Rapoport*, Dept. of Economics, Bar-Ilan University, and CADRE, University of Lille II

Abstract: This paper examines the role of migration networks on self-selection patterns in Mexico-U.-S. migration. We first present a simple theoretical framework showing how such networks impact on migration incentives for different education levels and, consequently, how they are likely to affect the expected skill composition of migration. Using survey data from Mexico, we then show that the probability of migration is increasing with education levels in communities with low migrant networks, but decreasing with education in communities with high migrant networks. This is consistent with positive self-selection of migrants being driven by high migration costs, as advocated by Chiquiar and Hanson (2005), and with negative selfselection of migrants being driven by lower returns to education in the U.S. than in Mexico, as advocated by Borjas (1987).

PARALLEL SESSION A8: UNINTENDED CONSEQUENCES

A Theory of Child Targeting

Olivier Bargain, IZA and CHILD, and Olivier Donni, U. of Cergy and THEMA

Abstract: Designing policies to target specific individuals in the household, especially children, is an important concern among policy makers. This is illustrated very clearly by the recent orientations of the Labour Government in the UK, aiming at reducing child poverty through a variety of instruments. Despite a large empirical literature on this subject, there is surprisingly little theoretical foundation to analyze the optimality of different instruments for this purpose. In the present paper, we discuss the merit of targeting children through two general types of policies, namely selective commodity taxation and cash transfer to family with children. The Rotten Kid model of Becker (1991) provides a very simple and intuitive framework to study this question. We formally derive the conditions under which a subsidy placed on a particular good ameliorates child welfare, show that the subsidy can dominate cash-transfers for this purpose and characterize the optimal policy mix when both instruments are available. In contrast to traditional results, we also demonstrate that well-chosen subsidies can be more efficient than cash transfers in alleviating child poverty.
Keywords: Commodity taxation, universal child benefit, targeting, intrahousehold distribution, social welfare.
JEL classification: D13, D31, D63, H21, H31.

The Unintended Effects of Targeting Women

Hélène Couprie, GREMAQ and Université Toulouse 1, and Habiba Djebbari, Laval University and IZA

Abstract: There is widespread evidence of the beneficial effect of targeting of income transfer program towards women on children's welfare. Collective models provide a framework to estimate the positive effect of an exogenous increase in female's income on her intra-household bargaining power. Using a non-cooperative framework close to the one developed by Lundberg and Pollak (2001), we show that targeting women is not always better than targeting the household. We study the participation decision of households eligible to the PROGRESA program, which is a means-tested transfer program targeted towards women in Mexico. As much as 25% of households eligible to the program do not take-up the income transfer. Besides the economic cost of participation into the program, we analyse side-effects of the targeting program involving intra-household conflicts sich as domestic violence and divorce. In a sequential non-cooperative framework we show in particular that under certain conditions, targeting may increase husband's threat of domestic violence on his wife, in which case non-participation into the program is a rationnal answer for the wife. Such an issue appears to be pareto-inefficient. The second part of the paper empiricaly tests the conclusions of the model on the basis of available data in Progressa.

Inefficiency in Families

Robert A. Pollak, Washington University in St. Louis

Abstract: This paper identifies two sources of inefficiency in families: asymmetric information and limited commitment. It argues that many family decisions are significantly affected by asymmetric information or limited commitment and, hence, that many family decisions are likely to be inefficient. The Weiss and Willis model of child support by absent fathers exemplifies asymmetric information. The Lundberg and Pollak two-earner couple location model exemplifies limited commitment. The Coasian intuition that bargaining leads to efficiency is implausible in some situations but plausible in others. It seems especially plausible for decisions that arise repeatedly, such as what to have for dinner or which television program to watch - situations in which taking turns is possible. Empirical investigations of efficiency using data on household expenditure patterns typically focus on repeated decisions and, hence, are focusing on the behavior most likely to exhibit efficiency. But even for repeated decisions, economic theory offers no

presumption of efficiency. The analysis of family behavior under asymmetric information or limited commitment requires treating family decision making as a noncooperative game. Unlike models that can only yield efficient solutions - such as Chiappori's collective model and cooperative bargaining models - noncooperative models allow both efficient and inefficient solutions. Hence, only noncooperative models are capable of illuminating the conditions that determine whether families are efficient or inefficient. The paper argues that two-stage games are especially suitable for modeling limited intertemporal commitment and the resulting dynamic inefficiency. The paper concludes by discussing features of social norms, family policy, and family law that can be interpreted as responses to asymmetric information and limited commitment - that is, to situations likely to lead to inefficiency.

Thursday 22nd, 13.45-15.45
PARALLEL SESSION B1: TIMING OF RETIREMENT

The Political Feasibility of Postponing Retirement

Vincenzo Galasso, IGIER, Università Bocconi and CEPR

Abstract: Conventional economic wisdom suggests that to face the aging process, social security systems will have to be retrenched. In particular, retirement age will have to be largely increased. Yet, is this policy measure feasible in OECD countries? Since the answer belongs mainly to the realm of politics, I evaluate the political feasibility of postponing retirement under aging. After calibrating the model to France, Germany, Italy, Spain, the U. K., and the U. S., I simulate the effects for the 2050 demographic, economic and political scenario. Galasso and Profeta (2004) suggested that a higher effective retirement age always decreases the size of the system chosen by the voters, often increases its generosity, and may be the only viable solution to pension system problems in the face of population aging. This paper shows that this policy measure is also politically feasible, as a majority of the voters will be willing to support a rise in the retirement age, due to the negative income effect induced by aging - via the large social security system.

Employability of Older Workers in Italy and Europe

Roberto Leombruni, LABORatorio Revelli, Torino, and Claudia Villosio, R&P and LABORatorio Revelli

Abstract: In many European countries the participation rates of older workers are worryingly low, and Italy - within this picture - has one of the worst records, particularly for females. In this paper we investigate whether this signals an issue about their employability. Indeed, the non-participation of an individual does not point to an employability issue as long as it is a free choice of the person, and as long as it does not hinder their future participation in the labour market. To address this point we single out which are the empirically most relevant factors in shaping cross country differentials. Two selection processes emerged as having a most prominent role: the life cycle decision for women of not participating to the labour market, and the access for men and women to early retirement schemes. Controlling for these selection processes international differences reduce significantly. In both cases the main issue is the possibility that a participation choice made in a given point in time - for instance the early retirement decision - can have long lasting consequences, hindering future transition possibilities of the individuals. The magnitude of the two selection processes suggests already some policy conclusions, which are derived in the paper, and points to the need of further research to ascertain whether there are barriers to late entries and re-entries in the labour market.
Keywords: Employability, ageing, participation rate.
JEL classification: J14; J21.

Labour Market Transitions Among the Over-50s

Lorenzo Cappellari, Università Cattolica, Milan, Richard Dorsett, Policy Studies Institute, London, U. K., and *Getinet Haile*, Policy Studies Institute, London, U. K.

Abstract: This paper examines transitions between economic activity and inactivity in the U. K among men and women aged between 50 and state pension age. Using longitudinal survey data on 26,000 individuals, we model transitions using two approaches. Modelling transitions allows examination of the issue of state dependence or 'scarring' - the extent to which past experience of an adverse labour market state influences subsequent labour market status. Importantly, we address the initial conditions problem. Duration models allow examination of duration dependence - the extent to which the length of time in a particular labour market state influences the probability of leaving that state. The results provide evidence of both state dependence and duration dependence. This implies there is the potential for any individual to become trapped in inactivity and, ideally, policy should intervene as soon as an individual experiences a period of non-participation.
Keywords: Labour market participation, transitions, over-50s.
JEL classification: J14, J21, J64.

Too Old to Work, Too Young to Retire

Andrea Ichino, EUI, Florence, Guido Schwerdt, EUI Florence, *Rudolf Winter-Ebmer*, University of Linz and Institute for Advanced Studies, Vienna, and Josef Zweimüller, University of Zurich

Abstract: Increasing retirement age is a standard answer to financial strain on PAYG pension systems due to an ageing population. This suggestion is only useful, if employment prospects of elderly workers are intact. We use firm closure data for Austria 1978-1998 to investigate this suggestion. Using an exact matching framework concerning workers displaced due to a firm closure and a control group we look at post-displacement employment and earnings prospects of elderly relative to prime-age workers. The advantage of the firm closure data is that selection problems arising from displacement as well as voluntary quits are eliminated. The detailed data base allows an exact matching framework; together with panel data methods this procedure allows to get rid of differences between treatment and control group. Our results show that there are considerable displacement costs for both prime-age and elderly workers, but elderly workers are clearly more severe hit in terms of employment probabilities, but less so in terms of wage losses.

PARALLEL SESSION B2: DIMENSIONS OF POVERTY

The Persistence of Financial Strains among Low-Income Families: An Analysis of Multiple Indicators

David C. Ribar, Dept. of Economics, The George Washington University

Abstract: During the late 1990s, employment and incomes improved for many households in the bottom part of the income distribution in the United States. It is unknown, however, whether these improvements markedly reduced households' financial strains. In this study, I examine how changes in resources, needs and other characteristics are associated with self-reports of financial strains using a longitudinal survey of low-income households from three American cities. I develop and estimate longitudinal Multiple Indicator Multiple Cause models of financial strains. The models combine information from several different measures of strains; they also control for unobserved characteristics, like differences in families' permanent incomes and subjective assessments of needs, that might be confounded with the observed explanatory measures. The analyses reveal that there is considerable persistence in households' reports of financial strains. They also indicate that increases in income are associated with reductions in strains but that the relationship is weak. Other characteristics, such as wealth, disability, social networks and marital status, are more strongly associated with financial strains.

On the Definition and Measurement of Transient and Chronic Poverty

Magne Mogstad, Research Department, Statistics Norway

Abstract: Moving from a static to a dynamic perspective of poverty is not simply a matter of having access to repeated income observations of the same units, which makes it possible to measure the persistence of poverty and study poverty patterns based on information about changes in income from one year to the next. Access to longitudinal data should draw poverty scholars to revisit life-cycle theories of consumption as a framework to reflect on what kind of behavioural assumptions are underlying their chosen definition of poverty. In this paper, we will evaluate various approaches for measuring transient and chronic poverty by critically drawing upon theories of life-cycle theories of consumption. On this basis, we deduce that it is necessary to extend the accounting period of income in order to reduce the measurement problem of fluctuating annual income, and to obtain a reliable estimate of the economic resources available for consumption and saving to distinguish the chronically poor from the non-poor. Furthermore, we argue that the present methods for measuring chronic and transient poverty lack a theoretically coherent foundation. As an attempt to overcome the weaknesses of the present methods, we suggest an alternative method for measuring chronic and transient poverty. In fact, the method proposed in this paper

encompasses the present methods for measuring chronic and transient poverty based on an extended accounting period of income.

Keywords: Measurement of chronic and transient poverty, life-cycle theories of consumption.

JEL classification: I32.

Mood Effects and Individual Effects: Exploring Subjective Poverty in Russian Data

Ekaterina Kalugina and *Catherine Sofer*, Paris 1 University

Abstract: We propose an analysis of determinants of the subjective poverty in Russia using a panel survey of the Russian population (Russia Longitudinal Monitoring Survey) for the period between 1994 and 2003. It is largely suggested that incomes (or money-based poverty measures) are highly significant predictors of subjective economic welfare but are generally less strong that what one would expect. Other factors including observable individual, household and local characteristics, individual unobserved time-invariant heterogeneity and finally mood variability could influence perceived welfare. In this paper we try to take into account all these aspects in explaining the subjective poverty. In particular, we attempt to model "the mood effects" i.e. the fact that people may have observed variances in their self-rated welfare, because of their moods (according to the time of interview, for example) while there is really no difference in their level of subjective well-being. The moods effects are approximated by the residual of the satisfaction of life equation after eliminating the individual time-invariant heterogeneity. We also explore the links between subjective and objective (absolute) poverty measures by taking into account the endogenous nature of objective well-being. We consider that better understanding of the subjective welfare determinants could clarify the reasons of such a divergence between subjective and objective poverty: people who perceive themselves to be poor are very often not classified as such in the poverty statistics, though it is well known that "objective" measures of poverty suffer from measurement errors.

PARALLEL SESSION B3: WORKING WOMEN

Gender Wage Leadership

Matthew J. Lindquist, Stockholm University

Abstract: I propose using time series wage data in a unique fashion in order to discriminate between different theories of the gender wage gap. In a vector error-correction model using data from the US Current Population Survey, I first show that male and female wages are cointegrated. Male wages are then found to be weakly exogenous to the system of equations, which implies that the male wage acts as the reference wage and that men are the wage leaders. Standard models of discrimination (taste-based or statistical) and models of productivity differences (observable or unobservable) are consistent with the finding of gender wage leadership in the aggregate data if men are sorted into a wage leading sector. The finding of gender wage leadership within sectors and within and between broadly defined educational categories within sectors, however, speaks against these models. An efficiency wage model with a gender-based reference wage is consistent with the finding of gender wage leadership in both the aggregate and disaggregate data.

Market Work, Home Production, Consumer Demand and Unemployment among the Unskilled

Melanie Lührmann, MEA - Mannheim Research Institute for the Economics of Aging, University of Mannheim, and Matthias Weiss, MEA - Mannheim Research Institute for the Economics of Aging, University of Mannheim

Abstract: We propose and test a general equilibrium model in which longer working time and higher labor force participation lead to a fall in unemployment. Longer working hours and higher labor force

participation have two direct effects: People have higher incomes and less (leisure) time. This has implications for the composition of consumer demand, since people spend less time on home production. Instead, they outsource more domestic tasks to the market. Consumer demand shifts toward unskill-intensive goods. The relative demand for unskilled labor rises and unemployment falls. We test our model in two ways: First, we study the link between labor market participation, home production and the demand for household and similar services using the German time use survey conducted in 1991/92. Second, we use cross-country time-series data on OECD countries between 1980 and 2003 to directly examine the link between labor force participation and the unemployment rate. The empirical results corroborate the predictions from the theoretical model.

Keywords: Labor supply, low skill employment, home production, time use.
JEL classification: J22, J23, E21, E24.

The Impact of Exogenous Variation in Family Size on Women's Labor Force Participation

Jimena López de Lérida M., Dept. of Agricultural Economics, Pontificia Universidad Católica de Chile

Abstract: Each additional child increases the quantity of childcare activities, raising the marginal value of time at home. Thus, having children may induce some women to reduce their hours of work, find less demanding occupations or leave the labor force entirely. I use the CASEN survey from Chile for the period 1990-2003 to estimate the effect of fertility on mother's labor force participation. Exogenous variability in family size is used to correct for the unobserved heterogeneity and the endogeneity biases that arise in this context. The instruments considered are multiple births and the sex composition of previous children. Using samples of women with at least one child and at least two children, results suggest that additional children have a decreasing negative effect on their mother's LFP. The only remaining significant impact after instrumental variables are included into the model is for having more than one child. However, while significant, the magnitude of the measured impact is not large: reductions in fertility over time explain only a very small portion of the observed increase in women's LFP.

Keywords: Women's labor, twins.
JEL classification: J16, J22.

Do Downward Transfers Enhance Maternal Labor Supply? Evidence from Around Europe

Ralitza Dimova, Brunel University, Uxbridge, U. K. and CNVA, and *François-Charles Wolff*, Dept.of Economics, University of Nantes

Abstract: With the use of a theoretical model of private transfers of time and money with endogenous labor supply and recursive econometric models based on 2317 mother-daughter pairs from the 2003 SHARE data on 10 European countries, we investigate the impact of private transfers on the career choices of transfer-receiving young mothers. For Europe as a whole, we find a strong positive impact of grandchild care on the labor force participation decision of the mother, but no clear impact of either grandchild care or monetary transfers on the mother's degree of labor market involvement. However, the link between family transfers and labor supply exhibits an interesting pattern across institutional settings. While both recipients and donors with better endowments are more likely to participate in a monetary transaction, time transfers are such that mothers with lower level of human capital tend to assist the professional development of their better endowed daughters.

Keywords: Grandchild care, labor participation, financial transfers.
JEL classification: D64, J13, J22.

PARALLEL SESSION B4: DETERMINANTS OF WAGES

How Do Marital Status, Work Effort, and Wage Rates Interact?

Avner Ahituv, University of Haifa, and Robert I. Lerman, American University and Urban Institute

How marital status interacts with men's earnings is an important analytic and policy issue, especially in the context of US debates over programs to encourage healthy marriage. This paper generates new findings about the earnings-marriage relationship by estimating the linkages between flows into and out of marriage, work effort, and wage rates. The estimates are based on NLSY panel data, covering 23 years of marital and labor market outcomes, and control for unobserved heterogeneity. Taking advantage of the sample structure, we estimate marriage effects on hours worked (our proxy for work effort) and on wage rates for all men and for black and low skill men separately. We find that entering marriage raises hours worked quickly and substantially but that marriage's effect on wage rates takes place more slowly as men continue in marriage. Together, the stimulus to hours worked and wage rates generates an 18-19 percent increase in earnings, with about one-third to one-half of the marriage earnings premium due to higher work effort. At the same time, higher wage rates and hours worked encourage men to marry and to stay married. Thus, being married and high earnings reinforce each other over time.
Keywords: Labor supply, wage determinants, marriage, and marital dissolution.
JEL classification: C23, J12, J15, J22, J31, J88.

Earnings Instability and Tenure

Lorenzo Cappellari, Università Cattolica di Milano, and Marco Leonardi, Università degli Studi di Milano

Abstract: This paper develops a tractable empirical approach to estimate the effect of on-the-job tenure on the permanent and transitory variance of earnings. The model is also used to evaluate earnings instability associated with temporary contracts. We estimate the model using longitudinal administrative data on earnings for Italian men. Results indicate that each year of tenure on-the-job reduces earnings instability by 13%. Workers on a fixed-term contract on average experience a degree of earnings instability that is 2-3 times larger than workers on permanent contracts. Individuals who spend their entire career on fixed term contracts can expect an earnings instability 5 to 6 times higher.
Keywords: Earnings instability, earnings inequality, earnings profiles.
JEL classification: J21, J31.

Wages, Productivity and Aging

Benoit Dostie, Institute of Applied Economics, HEC Montreal

Abstract: In this article, we estimate age based wages and productivity differentials using linked employer-employee Canadian data from the Workplace and Employee Survey 1999-2002. Data on the firm side is used to estimate production functions taking into account the age profile of the firm's workforce. Data on the workers' side is used to estimate wage equations that also depend on age. Results show concave age-wage and age-productivity profiles and wage-productivity comparisons show that the productivity of workers aged 55 and more decreases faster than their wages.

Returns to Seniority: Time or Rank?

Sebastian Buhai, Tinbergen Institute, Erasmus University Rotterdam and CCP-Aarhus School of Business, Miguel Portela, Tinbergen Institute, IZA and NIPE-Minho University, Coen Teulings, SEO Economic Research, University of Amsterdam and Tinbergen Institute, and Aico van Vuuren, Free University Amsterdam and Tinbergen Institute

Abstract: Lot of attention has been given to the fact that more senior workers tend to be paid higher wages than their less senior colleagues. Most empirical research has focused on job tenure as a continuous function of the time spent in the present job. This specification can be defended by the theory of firm-specific investments as well as efficiency-wages and adverse-selection models. However, rent extracting arguments as suggested by the theory of internal labor markets indicate that the position of the worker in the firm, i.e. the seniority rank, may also play a part of the results found in the previous literature. We explore and extend this idea in our paper. Both seniority and seniority rank are included into the empirical

analysis. Although there is a strong relationship between the time spent in a job and the seniority rank, identification is not problematic since the seniority rank always jumps discontinuously in a non-determined fashion, while the time spent in the firm is by definition time-continuous. We use extensive matched employer-employee data from Denmark and Portugal. The first country is very similar in terms of labor protection to the United States, while the second has much stricter firing rules. We find a significant and negative impact of the change in seniority rank, in both countries. We also verify that labor protection rules increase the bargaining power of individuals with a higher seniority rank, as predicted by theories on unionized and insider-outsider markets. Differences between industry sectors in terms of seniority rank patterns are similar in the two countries analyzed.

Keywords: Returns to tenure, seniority rank, labor protection.
JEL classification: J41, J63.

PARALLEL SESSION B5: OUT-OF-WEDLOCH CHILDREN AND STEPCHILDREN

An Economic Analysis of the History of Bastardy in England

John Ermisch, Institute for Social and Economic Research University of Essex

Abstract: A remarkable feature of English demographic history is the explosion in childbearing outside marriage during the last quarter of the twentieth century, after 400 years of relative stability, reaching 42% of births in 2004. Over the period 1845-1960, the percentage of births outside marriage moved within a small range, averaging about 5%. The paper finds that, up to the First World War, higher unemployment discouraged marriage and increased non-marital births, with a recovery in marriages in the subsequent year. This pattern is consistent with poorer labour market conditions discouraging marriages among pregnant would-be brides, thereby increasing bastardy. During the inter-war period, higher unemployment continued to produce postponement of marriages, but non-marital childbearing was no longer linked to unemployment, nor is there a clear link to unemployment in the post-war period. The contraceptive pill was widely available and abortion was legal by the mid-1970s. A theory of marriage market search in which out-of-wedlock childbearing is an option suggests why it may be a rational choice for some women. A woman's welfare as a single mother is likely to be influenced by the prevalence of single mothers in the population, perhaps reflecting social stigma against single mothers. The paper argues that a temporary change in the determinants of non-marital childbearing can produce rapid erosion of the stigma and a self-reinforcing rise in childbearing outside marriage, like the one observed. Other implications of this social influence model are derived, and evidence from individual childbearing and partnership histories is consistent with these predictions.

Does Community Property Discourage Unpartnered Births?

Olivia Ekert-Jaffe, Institut National d'Etudes Demographiques France, and Shoshana Grossbard, Department of Economics San Diego State University

Abstract: This paper analyses women's likelihood of an unpartnered birth as a function of individual and country characteristics, including laws regulating the division of marital property in case of divorce. Based on a Demand and Supply model of marriage we predict that women are less likely to have an unpartnered birth the higher the degree of community in marital property to be divided in case of divorce. We also predict that a legal regime's generosity to divorced women influences the association between an unpartnered birth and teenage, between an unpartnered birth and religiosity, and between an unpartnered birth and mother's experience as child of divorce. An analysis of data from the Family Fertility Surveys collected in the 1990s in 12Western countries confirms most of our predictions. We also find that after control for age and trend, unpartnered births are more likely among early baby-boomers and women who grew up in non-intact homes.

Paternal Uncertainty and the Economics of Mating, Marriage, and Parental Investment in Children

Dirk Bethmann, Humboldt University Berlin Dept. of Economics, and *Michael Kvasnicka*, Humboldt University Berlin Dept. of Economics

Abstract: Gary Becker's work on the economics of marriage has spawned an extensive literature on family as an economic unit. Economic theories of marriage focus on the potential gains that accrue to individuals from joint production and cohabitation. However, these gains are neither confined to individuals in conjugal unions alone, nor can they account for the traditional intersexual nature of marital arrangements. Consequently, economic theories of marriage are unable to explain three universal traits of marriage. As a bond between women and men, marriage requires some form of social sanction, it is the primary place for the bearing and rearing of children, and it involves a special commitment of fidelity among partners. In this paper, we provide a first microeconomic foundation for the institution of marriage that is able to account for these cross-culturally ubiquitous features of marriage, based on a model of mating and parental investment that takes explicit account of two important biological differences between the two sexes, i.e. asymmetry in offspring recognition and in reproductive capacity. In the model, men and women derive utility from consumption and reproductive success, which is a function of the number and quality of own offspring. Because of paternal uncertainty, men unlike women may err in investing resources in offspring that is not biologically theirs. The socially sanctioned institution of marriage reduces this risk by restraining promiscuity in society. Both women and men are shown to benefit from lower levels of paternal uncertainty, as does average child quality because of increased parental investments.
Keywords: Mating, paternal uncertainty, parental investment, marriage.
JEL classification: D10, J12, J13, D02.

PARALLEL SESSION B6: FERTILITY

Bargaining over Fertility in Rural Ethiopia

Holger Seebens, University of Goettingen and Center of Development Research

Abstract: The results of the Demographic Health Survey (DHS) reveal that women in Ethiopia prefer fewer children than men, which can be explained by the greater costs that women have to incur from pregnancy, delivery and care for children. In view of differing preferences it is yet not clear which factors determine the final decision. The aim of this study is to shed light on the impact of different bargaining weights on family planning within married couples in rural Ethiopia. Bargaining over fertility can be split into two parts: spacing between births and the number of children. Building on the intrahousehold bargaining framework I investigate both aspects. Applying multistate and count data models I test the hypothesis that women's bargaining power is negatively related to the number of children and positively to the period length between adjacent births using a detailed data set from rural Ethiopia. Both hypotheses find support from the data.
Keywords: Fertility, intrahousehold bargaining, multistate model, Ethiopia.

Theory and Evidence of the Effect of Modern Contraceptives on Birth Spacing

Jungho Kim, Vienna Institute of Demography

Abstract: This paper examines the effect of family planning programs on birth spacing both theoretically and empirically. Despite the recent development of dynamic models of fertility, there is no general prediction regarding the effect of modern birth control methods on birth spacing. By considering a simple dynamic model of fertility first introduced by Heckman and Willis (1975), I derive conditions under which the introduction of modern contraceptives leads to women having either longer or shorter birth intervals. Using the Indonesian Family Life Survey, it is found that the introduction of modern methods of birth control led to shorter birth intervals in the 1970s and longer ones in the 1990s in Indonesia. Assuming a

simple Cobb-Douglas utility function, the structural estimation using a simulated method of moments suggests that the estimates of the model are consistent with birth spacing behavior in the 1990s.
Keywords: Dynamic model of fertility, contraceptives, birth spacing, Indonesia.
JEL classification: J13.

PAYG Social Security, Fertility and Labor Supply

Rodrigo A. Cerda, Dept. of Economics, Pontifical Catholic University of Chile

Abstract: This paper addresses the causes and dynamics of pay-as-you-go social security financial crises and its impact on a country's economic performance. Its main hypothesis is there exists a self-reinforcing vicious circle between the social security system, the fertility rate and labor supply. We argue that changes in the pay-as-you-go social security tax rate may induce a subsequent demographic transition, a decline in supply of labor and a negative impact on a country's economic growth. Theses effects cause the system to be unsustainable, as fewer individuals pay social security taxes but more individuals receive social security benefits over time. We test our predictions concerning the fertility rate and labor supply by using the case of Chile as an experiment. The empirical analysis shows support for our hypotheses concerning fertility rate and labor supply.
Keyword: Social security financial crises, demographic transition.
JEL classification: H55, J13.

Migration Background and Human Capital of Parents To Be and the Timing of First Birth

Cecile Wetzels, Dept. of Economics and Econometrics, University of Amsterdam

Abstract: This study analyses unique, recent and representative data on the timing of first child in Amsterdam, a city in which more than half of the new born have at least one migrant parent. In addition to education and labour market hours choices among couples, this study includes the effects of migration background by distinguishing all possible combinations of own country of birth, partner's country of birth and women's parents' country of birth. First, the study shows that women in couples with similar labour market hours choices and strong investments in paid work time their 1st child later in life. Secondly, immigration effects on the timing of motherhood have to be separated from specific country of origin effects. Controlling for countries of birth which represent the countries that provided cheap labour to the Dutch labour market in the 1960s and 1970s, we find an independent effect of earlier timing of the first birth only for import bride grooms. This effect is stronger than the effect of ethnically endogamous couples on the timing of the first child. Furthermore, controlled for migration background and for specific country of birth such as former cheap labour providing countries, all other women originating abroad time their 1st birth later in life than Dutch women. Moreover, the analyses uses a categorization of countries of origin used in demography to distinguish between "forerunner, flower, trailer and latecomer countries as regards the demographic transition".
Keywords: Fertility, female labour force, ethnic, timing of first birth.
JEL classifications: D10, J22, J13, J15.

PARALLEL SESSION B7: TEMPORARY MIGRATION

Temporary Migration and Labour Supply: Theory and Tests

S. Quamrul Ahsan, Dept. of Economics, University of Bergen

Abstract: In this essay, a choice theoretic model of temporary migration is developed in the context of a poor rural economy. With a representative peasant household as the decision making unit, the model explores how participation in temporary/seasonal migration by household members affects household's post-migration labour supply. In traditional agriculture, the production cycle is characterized by a short spell of brisk labour intensive activities, (the peak season), followed by a period of relative inactivity with

low demand for labour, (the slack season). Given the high risk of slack season unemployment, a common self-insurance strategy among peasant households is to send away some of its working members to seek informal urban jobs during the slack season while the remaining members pursue rural employment. This allows for diversification of household slack season income risks to the extent that the incomes from rural and urban sources are not fully correlated. The model yields the following main result. Participation in seasonal migration potentially enables households to supply more labour in the peak season. The mechanism is as follows. In an intertemporal setting, a migration induced reduction in income risks implies that the need for income transfer from peak season to supplement slack season consumption is also reduced. This allows households to consume more and in turn supply more labour in the peak season. A Two-stage Least squares method is implemented on household survey data from rural Bangladesh to test if participation in seasonal migration affects positively the household peak period labour supply. The preliminary results support the hypothesis.
Keywords: Development, poverty, seasonal rural-to-urban migration, rural labour markets, risk coping strategies.
JEL classification: C31, D1, D81, J43, J61, O1, Q12, R23.

The Savings Behavior of Temporary and Permanent Migrants in Germany

Thomas K. Bauer, RWI-Essen, Ruhr-University Bochum, IZA Bonn, and CEPR London, and Mathias Sinning, RWI-Essen

Abstract. This paper examines the relative savings position of migrant households in West Germany paying particular attention to differences between temporary and permanent migrants. Our findings reveal significant differences in the savings rates between foreign-born and German-born individuals. These differences diminish for temporary migrants, if their remittances are taken into account. The results of a decomposition analysis indicate that about 60% of the differences in the savings rate between Germans and permanent migrants as well as between temporary and permanent migrants can be attributed to differences in observable characteristics. Dividing the sample of immigrant households into regions of origin, we find substantial differences in the savings behavior of migrants from different source countries.
Keywords: Savings, remittances, international migration.
JEL classification: F22, E21, C24.

A Dynamic Model of Return Migration

Jerome Adda, University College London and IFS, Christian Dustmann, University College London and CReAM, and *Josep Mestres-Domènech*, University College London and CReAM

Abstract: This paper analyzes the decision process underlying return migration using a dynamic model. In each period, migrants decide whether to stay in host country or to return to home country, simultaneously with consumption and investment choices. The decisions are taken comparing the discounted flow of utility between staying for an additional year and returning to the home country permanently, and depend on the capital invested in each country as well as on a series of stochastic shocks. We aim to explain how migrants decide whether to stay or to go back to their home country together with their savings and consumption decisions. The dynamic model framework allows migrants to revise their decisions in each period, given shocks in preferences for the home country and shocks in the relative income between the host country and the home country. We use a panel data set from Germany which allows us to follow migrants from different countries for a period of 20 years. It also reveals their return intentions in each time period and whether they return or not. We estimate our model with return intentions, and afterwards we want to perform policy simulations.

PARALLEL SESSION B8: TOPICS IN POPULATION ECONOMICS

Time and Money - Substitutes in Real Terms and Complements in Satisfactions

J. Bonke, M. Deding, and M. Lausten, The Danish National Institute of Social Research, Copenhagen

Abstract. Time and money are basic commodities in the utility function and are substitutes in real terms. To a certain extent, having time and money is a matter of either or, depending on individual preferences and budget constraints. At the same time, however, satisfaction with time and satisfaction with money are typically complements; i.e. individuals are equally satisfied with both domains. In this paper, we provide an explanation for this apparent paradox through the analysis of the determination of economic satisfaction and leisure satisfaction, respectively. We test a number of hypotheses, including that leisure satisfaction depends both on the quantity and quality of leisure - where quality is proxied by good intensiveness and social intensiveness. Our results show that both the quantity of leisure as well as the quality are important determinants of leisure satisfaction; and since having money contributes to the quality, this explains the empirical finding of satisfactions being complementary at the same time as domains being substitutes. Interestingly, gender seems to matter. Intra-household effects and individual characteristics are more pronounced for women than for men on both satisfactions. Additionally, good intensiveness is more important for men (e.g. housing conditions), whereas social intensiveness is more important for women (children and spending time together with the family).
Keywords: Domain satisfaction, income distribution, leisure, sex.
JEL classification: D1, D31, J22.

Productivity or Discrimination? Beauty and the Exams

Giam Pietro Cipriani and Angelo Zago, Dept. of Economics, University of Verona, Italy

Abstract: Do good looks make people more productive? An impact of looks on earnings has been found in the empirical literature: plain people earn less than average-looking people who earn less than the good-looking. However, an important question remains unanswered: is the impact of beauty due to pure discrimination or productivity? We provide evidence against the hypothesis of Becker-type discrimination stemming from tastes and in favor of productivity-related discrimination.
Keywords: Physical appearance, discrimination, productivity.
JEL classification: J71; I20.

Religion and Death in India

Sonia Bhalotra, University of Bristol, UK, and Arthur van Soest, RAND and University of Tilburg

Abstract: Muslim children in India face lower mortality risks than Hindu children. This is surprising because one would have expected just the opposite: Muslims have, on average, lower socio-economic status, higher fertility, shorter birth-spacing, relatively low status of women, and are a minority group in India that, in principle, might live in areas that have relatively poor public provision. Although higher fertility amongst Muslims as compared with Hindus has excited considerable political and academic attention in India, higher mortality amongst Hindus has gone largely noticed. This paper investigates the seeming puzzle. We find that the largest part of the Muslim advantage stems from where in India they live, in which state, and whether rural or urban. Since fertility is higher amongst Muslims, their children tend to be born a bit later which, given trend improvements in health technology and services, contributes to their survival advantage. But, overall, only about 50% of the religion differential can be explained by differences in characteristics. Using a supplementary data set, we suggest that further explanation may be sought in considering religion-differences in maternal health and breastfeeding behaviour.

Hermaphroditism: What's not to Like?

Lena Edlund, Dept. of Economics, Columbia University, and *Evelyn Korn*, Dept. of Economics, Philipps-Universität Marburg

Abstract: Male and female social roles are predicated on the fact that male and female reproductive functions are separated in different individuals. This paper asks why. That is, why is gonochorism, not hermaphroditism, the rule among vertebrates. We argue that (simultaneous) hermaphroditism may be unstable in the face of heterogeneity. Building on the Bateman principle - access to eggs, not sperm, limits

reproductive success - and in line with Trivers-Willard, we show that low quality individuals will prefer to be all female. We also show that without secondary sexual differentiation (SSD), there is no equilibrium with males. Only females and hermaphrodites. With sufficient SSD, however, males may outcompete hermaphrodites so that hermaphrodites only mate among themselves and thus for practical purposes form their own species. We also show that, while hermaphrodites strive to mate their male function and preserve their female function, equilibrium hermaphroditic mating is reciprocal. Reciprocal mating, in turn, makes hermaphrodites susceptible to male-to-male violence, suggesting that form of SSD may have contributed to the rarity of hermaphroditism.

Thursday 22nd, 16.00-18.00
PARALLEL SESSION C1: WEALTH AND INCOME INEQUALITY

Rooms of One's Own: Gender, Race, and Home Ownership as Wealth Accumulation in the United States

Sherrie A. Kossoudji, Dept. of Economics, Institute of Labor and Industrial Relations, School of Social Work, University Ave., The University of Michigan, Ann Arbor, USA

Abstract: How do income disparities between men and women and across races translate into longer term wealth disparities in the United States? I use the Survey of Income and Program Participation (SIPP) to investigate gender and race disparities in home ownership, value, and equity. Family type is associated with differences in home ownership, with the predicted probability of home ownership ranging from 0.83 for married couple householders to 0.49 for male householders in non-family households. Men and women have different probabilities of home ownership because of the difference in the prevalence of family types. Race related gaps in homeownership, typically attributed to differences in family type (such as prevalence of female headed households among African Americans), are significantly and sizably present within family types. Wealth by homeownership, though, is a matter of getting ones foot in the door. There is less difference by gender, race, or family type in home value or equity for those who own homes. One interpretation of this is that people who are more financially vulnerable are risk averse when it comes to equity. Women, African Americans, Latinos/as and those with low income or low education are more likely to invest deeply in their homes than married couples, white men, or those with more income. A simple implication for housing policy is that policies designed to promote home purchase may be enough to reduce wealth gaps in the United States. This lesson may hold true for wealth gaps in other countries.
Keywords: Wealth, housing, gender, race.
JEL classification:J150, J160, D310.

Skill Dynamics, Inequality and Social Policies

Nicolas Bauduin, MEDEE, Université de Lille 1, and IFRESI-CNRS, and Joël Hellier, MEDEE, Université de Lille 1, and IFRESI-CNRS

Abstract: We show that skills dynamics normally results in a sub-optimal situation involving income per capita within a model where the parents make the decisions relating to their children's education. This derives from an under-education trap that is endogenously generated. When sub-optimality is caused by a lack of human capital at the steady state, a minimum wage or a redistribution policy makes it possible to increase output per capita and to reduce inequality because both increase the educated share of the population by raising certain households above the trap. These policies only need to be implemented over one period of time, i.e. one generation. Moreover, the sooner they are laid down, the more efficient these policies become. Finally, the income per head at the steady state is higher when individuals have naive expectations rather than when they have perfect prediction. Several simulations are performed that illustrate and corroborate these findings.
Keywords: Education, inequality, minimum wage, redistribution.
JEL classification: I 21, I 28, J 24.

Household Wealth and the Measurement of Economic Well-Being in the United States

Edward N. Wolff, The Levy Economics Institute and New York University, and Ajit Zacharias, The Levy Economics Institute

Abstract: The standard official measure of household economic well-being in the U.S. is gross money income. The general consensus is that such measures are limited because they ignore other crucial determinants of well-being. We modify the standard measure to account for one such determinant: household wealth. The level and distribution of economic well-being in the United States during the 1980s

and 1990s is analyzed using the standard measure and a measure that differs from the standard one in that income from wealth is calculated as the sum of lifetime annuity from nonhome wealth and imputed rental-equivalent for owner-occupied homes. Our findings indicate that the level and distribution of economic well-being is substantially altered when money income is adjusted for wealth. Over the 1989-2000 period, median well-being appears to increase faster when these adjustments are made than when standard money income is used. This adjustment also widens the income gap between African-Americans and whites but increases the relative well-being of the elderly. Adding imputed rent and annuities from household wealth to household income considerably increases measured inequality and the share of income from wealth in inequality. However, both measures show about the same rise in inequality over the period. Our results contradict the assertion that the "working rich" has replaced the rentiers at the top of the economic ladder.

Keywords: Living standards, household wealth, inequality.
JEL classification: D31, D6, H4, P16.

PARALLEL SESSION C2: HUMAN CAPITAL

Reading Skills of Young Canadian Immigrants: The Effects of Length of Residency, Home Language Exposure and Schools

Tomasz Gluszynski and *Urvashi Dhawan-Biswal*, Natioanl Learning Policy

Abstract: The main purpose of this paper is to examine the skill development of immigrant children (15 year olds) using the Program for International Student Assessment (PISA) and the Youth in Transition Survey (YITS) data and examine its implications for public policy. In light of Canada's increased reliance on immigration it is important to examine the human capital development of immigrant youth. In particular, the research focuses on answering the following questions of interest: Does the length of residency in Canada influence the reading skills of 15 year old immigrants? Does exposure to different languages at home affect reading skills in English or French? What are the relative influences of individual, family and school factors on the academic performance of 15 year old immigrants? How do they differ from their Canadian counterparts? How much of the variance in reading performance of immigrants is due to the choice of school? The research analysis is conducted using the Programme for International Student Assessment (PIISA) and the Youth in Transition (YITS) data, with a sample of 30,000 15-year olds in over 1000 schools in Canada. The dependent variable used in this paper is the reading achievement of 15 year olds, measured as a set of five plausible values or scores. To examine the relative influences of individual and school variables, we used the Hierarchical Linear Modeling methodology (HLM). The results of the analysis are encouraging. The results show that if an immigrant child has spent more than five years in Canada by the age of 15, there appears to be no differences in the reading outcome of immigrants and native-born 15-year-olds. However, recent immigrant children who have been in Canada for five years or less are likely to perform at almost half a proficiency level below their Canadian counterparts, controlling for other factors. This is a significant disadvantage, roughly equivalent to half a year of schooling. The HLM analysis results show that student specific factors are more important in explaining reading outcomes in comparison to school factors. Details are available in the paper which is in the final stages of completion.

Over-Education in Multilingual Economies: Evidence from Catalonia

Maite Blázquez, Universidad Autónoma de Madrid, and Silvio Rendón, Instituto Tecnológico Autónomo de México

Abstract: In this paper we analyze the incidence of language skills on over-education in a multilingual economy. We focus the analysis on the case of Catalonia, and we measure the effect of knowing Catalan on over-education. We use data for Catalonia for two Census years, 1991 and 1996, and find that, once we estimate a model that controls for several factors and accounts for endogeneity of Catalan knowledge, the effect of Catalan on over-education is mostly non significant. Over-education is a form of labor underutilization that occurs when the formal education level of a worker exceeds that which is required

for a job. This phenomenon, which indicates a poor performance of the labor market, has been relatively well-studied. However, one aspect that has been scarcely considered is the effect of language skills on the quality of job matches. In multilingual labor markets language skills may play an important role in the job matching process. A lack of language skills may be a key factor in explaining the existence of educational mismatch between workers and jobs. The labor market in Catalonia represents an example of multilingual labor market where language skills, Catalan knowledge, might play an important role in explaining labor market outcomes. Because of the normalization policy carried out by the Generalitat during the eighties and nineties, Catalonia has become a bilingual society with the coexistence of Castillian and Catalan. This has obviously contributed to increase the economic value of the catalan knowledge. Rendon (2005) analyzes the effects of knowing Catalan on the individual likelihood of being employed in Catalonia. He finds a significant positive Catalan premium with those individuals with an intermediate or superior knowledge of Catalan being significantly more likely to be employed. Our work goes a step further and analyzes the incidence of Catalan knowledge on the probability that an individual finds an appropriate job. Since the switch in the language policy affects not only the immigrants but also the natives with a basic Catalan knowledge, these two groups of workers might try to compensate a lack of Catalan knowledge with higher levels of education. In such a case we would expect over-education being significantly more likely amongst these two groups. While this mechanism is plausible, as said, we find that the effect is mostly non significant.
Keywords: Language, immigration, skill premium, over-education.
JEL classification: J61, J70, J31, I20.

The Effects of Spanish-Language Background on Schooling and Achievement Test Scores

Luis Locay and *Tracy L. Regan*, Dept. of Economics, University of Miami

Abstract: Does speaking Spanish at home delay a child's development of his/her English skills? This question is investigated using data on Hispanics that were born in the U.S. or migrated here before the age of seven, collected from the NLSY79. We focus on the effects of Spanish-language background on standardized test scores (ASVAB) and completed schooling. We construct the latter using the longitudinal data on highest grade completed, highest degree earned, enrollment status, and age. We consider not only the verbal sections (word knowledge and paragraph comprehension) of the ASVAB but also the math sections (math knowledge and arithmetic reasoning) in order to assess the broader effects of bilingualism. The sociology literature (e.g., Rosenthal et al. (1983)) has uncovered a negative relationship between Spanish-language background and verbal achievement scores while much of the economics literature on Hispanics (e.g., Bleakley and Chin (2004), Chiswick (1978, 1991) McManus et al. (1985, 1989)) has focused on the relationship between English language proficiency and earnings, primarily for males. The theoretical model, taken from Hansen et al. (2004), assumes that the standardized test scores and the completed schooling are generated by a common, unobserved ability. Complicating matters is the fact an individual's test scores also reflect the completed schooling at the time of the test which is endogenously determined. Thus, the education decision and the test scores must be jointly estimated. We do so with full-information MLE. The results suggest a negative effect of speaking Spanish at home as a child on the ASVAB test scores.

Computer Usage, Destination Language Proficiency and the Earnings of Natives and Immigrants

Barry R. Chiswick, Dept. of Economics, University of Illinois at Chicago and IZA, and Paul W. Miller, Business School University of Western Australia

Abstract: Using data from the 2001 Census of Population and Housing in Australia, this paper uses the concept of a computer as a public good within the household to model the demand for computers. Empirically, it investigates the determinants, and consequences for earnings, of computer use by both the native born and the foreign born. Focussing on the foreign born, the multivariate analyses show that recent arrivals are more likely to use computers than the Australian born. As the level of computer use in Australia is much higher than in most of the countries that Australia's immigrants come from, this

evidence suggests a high degree of favorable selection in migration. Study of the links between earnings, computer use and other human capital skills shows that educational attainment and destination language skills are complements to computer use. Using a computer at home is associated with about 7 percent and 13 percent higher earnings for native born and foreign born men, respectively. The use of a computer is shown to be a way the foreign born can increase the international transferability of their pre-immigration skills, a finding that has implications for immigrant assimilation policies.

PARALLEL SESSION C3: FERTILITY DECISIONS

Income and Childbearing Decisions: Evidence from Italy

Concetta Rondinelli, Institute for Quantitative Methods, Bocconi University, Milan, Italy, Arnstein Aassve, Institute for Social and Economic Research, University of Essex, and Francesco C. Billari, Institute for Quantitative Methods and Innocenzo Gasparini Institute for Economic Research, Bocconi University, Milan, Italy.

Abstract: Italy has been one of the first countries to reach the so called lowest-low fertility, i.e. below 1.3 children per woman, during the early 1990s. In this paper we assess the micro-level relevance of income for fertility decisions in Italy. So far, analyses have suffered from the lack of appropriate data. We make use of two different data sets: the Bank of Italy (SHIW) and ISTAT (Labor Force Survey) and apply discrete-time hazard regression techniques. For the first birth we find evidence of a non-proportional hazard and a recuperation effect: women with high predicted wages tend to delay the first birth but afterwards they recuperate. For the second and third birth, instead, the availability of a good child-care system seems to play a key role. Finally, we explore the possible effect on fertility of an increase in financial support for poorer families that took place in 1999.
Keywords: Lowest-low fertility, income and childbearing, timing of births.

Labour Market Integration and Fertility Decisions - A Comparison of Germany and the UK

Christian Schmitt, German Socio-Economic Panel Study (SOEP)

Abstract: The aim of this paper is to investigate the hypothesis of a causal effect of labour market integration on fertility by looking at the timing of first birth decisions after leaving the educational system. The analysis focuses on two major research questions: First, how is the timing of first parenthood related to previous labour market performance? Second, can we identify differences in first birth risks depending on labour market performance? In other words, to what extent do successfully integrated individuals differ with respect to their fertility decisions from those who are poorly integrated? To account for the impact of cross-national differences in institutional settings (labour market and social policy), we contrast the continental conservative German system by the liberal welfare state of the UK. Accounting for gender specific differences in opportunity costs, we furthermore estimate separate models for men and women. The central explanatory variables, denoting labour market integration, are conceptualised by the sum of (overtime) working hours, stability and duration of the employment career, and incidence of unemployment. Using longitudinal micro data from the SOEP and BHPS, we apply event history methods (piecewise constant exponential). We can identify a reduced first birth risk in the case of German men with weak labour market integration, and also in the case of British and German women with strong labour market integration. Regarding the timing of family formation, a lengthy process of occupational integration tends to delay the transition to parenthood for both men and women, especially in Germany.

The Effect of Child Allowances on Fertility in Israel

Roni Frish, Research Department, Bank of Israel

Abstract: The steep increase in the child allowances paid to non - "military veterans" in Israel provides a natural experiment for testing the influence of economic incentives on fertility. The study focuses on relatively narrow and homogenous segments of the population, namely Druse in the North and Bedouins in the South. These populations were chosen because the child allowance was increased for only a part of each population. Thus, we examine the change in birthrate for women whose child allowance increased (women whose husbands did not serve in the army) in comparison to similar women whose allowance did not increase (the allowance for "military veterans" had been increased previously).
Keywords: Fertility, child allowances, natural experiment, difference-in-differences.
JEL classification: J13, H53.

Fertility Changes in Latin America in the Context of Economic and Political Uncertainty

Alicia Adsera, Dept. of Economic, University of Illinois at Chicago, Population Research Center, University of Chicago and IZA, and Alicia Menendez, The Irving B. Harris Graduate School of Public Policy Studies, University of Chicago

Abstract: During the last three decades fertility rates have declined sharply across Latin-America. These decades have also witnessed a high degree of economic and political uncertainty. Here we explore whether cross-country differences in the environment where childbearing decisions are made explain in part cross-country changes in fertility. To proxy for economic uncertainty we use unemployment and growth rates, changes in consumer prices and dummies for periods of high inflation. To account for political conditions we use measures of democracy, political unrest, and civil war. Control variables include urbanization and literacy rates, access to electricity. First, we use a panel of 18 Latin American nations for over 35 years to study the fertility trends of different age groups. Second, we use Demographic and Health Surveys (DHS) for Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, Guatemala, Mexico, Nicaragua, Peru, Paraguay to analyze the effect of those aggregate conditions in the individual spacing of children. Overall we find a more contemporaneous effect of unemployment for lower parities, younger age-groups, and less educated women (for second births and third births). There is some initial evidence of a positive effect of political stability on fertility, after controlling for economic conditions at the individual and aggregate level. Growth boosts fertility, particularly of higher parities, older age-groups and more educated women.

PARALLEL SESSION C4: WORKINGPLACE PRACTICES

Parental Leave in Sweden: The Effects of the Second Daddy Month

Rickard Eriksson, Swedish Institute for Social Research (SOFI)

Abstract: In 2002 the number of months reserved for fathers in the Swedish parental leave system increased from one to two. This coincided with an increase of total time of parental leave from 12 to 13 months. The results are obtained using a natural experiment approach, comparing the behavior of parents to children born immediately before and after the reform. Both fathers and mothers increased their use of parental leave after the reform. The increase for fathers was caused by a shift of fathers using about one month of parental leave to about two months. The increase was smaller than after the introduction of the first daddy month. From this we can conclude that fixed costs for taking parental leave are not important for fathers and that the marginal utility of parental leave is not increasing in total parental leave.
Keywords: Family benefits, parental leave, natural experiment, gender and labor markets.
JEL classification: J13, J16, J22, J48.

Labor Supply and Child Care Choices when Subsidized Child Care is Rationed - The Case of Germany

Katharina Wrohlich, DIW Berlin

Abstract: Although the relationship between child care and maternal employment has been extensively studied in many countries, a detailed, up-to date study on this issue for Germany is missing so far. I use a discrete choice panel data model controlling for unobserved heterogeneity to estimate labor supply and child care choices of German mothers with at least one child less than six years of age. In the German context, the problem of access restrictions to subsidized child care facilities is a key issue in the analysis of employment decisions of mothers with preschool-aged children and the demand for child care. In my model, access restrictions to formal child care are explicitly taken into account by increasing the actual child care costs according to the probability of being restricted to formal child care. Thus, policy reforms with respect to both, availability and costs of child care can be evaluated. My results show that an increase of the provision of child care slots has greater effects on the demand for child care as well as on maternal employment than a reduction of parents' fees to existing slots. These results contribute some empirical facts to the on-going debate on different child care reforms currently discussed in Germany.
Keywords: Child care, labor supply, discrete choice, panel study, Germany.
JEL classification: J22, J13, C35.

The Impact of the "In Work" Benefit Reform in Britain on Married Couples: Theory and Evidence from Panel Data

Marco Francesconi, University of Essex, Helmut Rainer, University of St Andrews, and Wilbert van der Klaauw, University of North Carolina at Chapel Hill

Abstract: This paper examines the effect of the Working Families' Tax Credit (WFTC) on married couples in Britain. The WFTC was a generous tax credit aimed at encouraging work among low-income families with children and was introduced in October 1999. To improve the interpretation of the observed intrahousehold choices, we develop a simple bargaining model of household decisions in which the role played by the tax and benefit system is explicitly accounted for. The main implications of the model are then tested using longitudinal data drawn from the first twelve waves of the British Household Panel Survey collected between 1991 and 2002. Our results show that the financial incentives of the reform had negligible effects on a wide range of married mothers' decisions, e.g., labour market participation and full-time employment, employment transitions, welfare receipt, childcare use and expenditures and divorce rates. Women's responses, however, were highly heterogeneous, depending on their partners' labour supply and earnings. Mothers married to a low-income man (i.e., a man who did not work or worked fewer than 16 hours per week, the 16-hour cutoff being essential for receipt of WFTC) showed somewhat larger responses. Compared to childless married women, they were more likely to work (especially if they had pre-school aged children) and work 16 hours per week (especially if they had a child aged 0-10). They also were more likely to remain in the labour force and had higher rates at which they entered it. They have been more likely to receive the tax credit but also experienced a greater risk of divorce. We find virtually no effect for women whose husband worked more than 16 hours per week. Likewise, there are no statistically significant responses among married men.
Keywords: Working families' tax credit, household bargaining, labor supply, fertility, divorce rates.
JEL classifications: D62, J13, C14.

Have New Workplace Practices and Information Technologies Increased Firm Productivity? Evidence from Linked Employer-Employee Data

Benoit Dostie, Institute of Applied Economics, HEC Montréal, and *Rajshri Jayaraman*, Center for Economic Studies, University of Munich

Abstract: Using a unique nationally representative sample of workplaces, the Canadian Workplace and Employee Survey (WES), we examine the impact of organizational and workplace practices and investments in new technologies on firm productivity. Correcting for firm unobserved heterogeneity and unobserved productivity shocks, we find that computer use increases firm productivity. Several organisational and workplaces practices, including rotations, overtime, outsourcing, workgroups, and joint labor-management committees, also impact firm productivity. Moreover, each also does so in conjunction with computer use at the workplace. The form of compensation also matters, with group-based and profit-sharing incentives both having a positive effect on productivity.

PARALLEL SESSION C5: JOB SEARCH AND UNEMPLOYMENT

Wage Effects of Search Methods for Immigrants and Natives: the Case of Sweden

Åsa Olli Segendorf and *Dan-Olof Rooth*, Kalmar University

Abstract: Using unique cross-section survey data collected in 1998 and 2003, this study examines whether successful job-search method differ between natives and immigrants, and whether there is a wage difference between the two groups associated with the search method used. It is found that the direct method is the successful search method for about 1/3 of the sample. However, informal methods are even more often the successful one for natives while formal methods are so for immigrants. About forty percent of natives (immigrants) find their job using informal (formal) methods. This holds for both men and women. Next, a wage analysis has been performed, which shows that there is a positive return from using the informal compared to using the formal method for natives. For the immigrant group no such result is found. Further, when pooling the data for immigrants and natives a large wage discount is found when using the formal search method. A wage discount is found also for immigrant men using the informal search method. Such a wage discount does not apply for immigrants using the direct method. Hence, the study shows no evidence for the argument to increase job search through formal methods, such as public employment agencies. Instead the direct method, applying to companies without jobs add being posted, seems to be a fruitful alternative strategy. To what extent these results are due to selection into job search methods are yet unclear.
Keywords: Job search, immigrants, wage differences.
JEL classification: J15, J24, J31, J71.

Differences in Unemployment Dynamics between Migrants and Natives in Germany

Arne Uhlendorff, DIW Berlin, IZA Bonn, and Klaus F. Zimmermann, IZA Bonn, University Bonn, DIW

Abstract: Unemployment is higher among immigrants than among natives in Germany. This higher rate of unemployment could result from longer periods of unemployment, as well as from shorter periods of employment. In this paper differences in the duration of unemployment and subsequent employment between natives and immigrants are examined jointly. Using the SOEP we estimate bivariate discrete time hazard rate models. We find that immigrants stay longer unemployed than natives. The probability of leaving unemployment differs with ethnicity and especially immigrants from Turkey stay longer unemployed. Moreover the second generation of guest workers still has a significantly lower probability of leaving unemployment than natives. However, once immigrants find a new job, we observe no significant differences in the employment stability compared to natives.
Keywords: Unemployment duration, employment stability, bivariate hazard rate, models, immigration.
JEL classification: J64, C41.

Parental Unemployment and Young People's Right-Wing Extremism: Evidence from Germany

Thomas Siedler, DIW Berlin and ISER, University of Essex

Abstract: Recent years have witnessed a rise in right-wing extremism among German youth and young adults. This paper investigates the extent to which the experience of parental unemployment during childhood affects young people's far right-wing attitudes and xenophobia. Estimates from three different

German data sets and multiple identification strategies suggest that young people (aged 16-29) who grow up with unemployed parents are more susceptible to right-wing extremism, and to xenophobia in particular. This is consistent with classical theories of economic interest and voting behaviour. They predict that persons who develop feelings of economic insecurity are more likely susceptible to right-wing extremism and to show anti-foreign sentiments.

Keywords: Right-wing extremism, unemployment, intergenerational links, sibling differences, instrumental variables, propensity score matching.

JEL cclassification: C23, D13, J62.

New Technologies, Growth, Cycles, and Unemployment

Martin Zagler, Vienna University of Economics & B.A., European University Institute, Firenze

Abstract: A new technology is a bold new combination of production factors that potentially yields a higher level of total factor productivity. The optimal combination of input factors is unknown when an innovation is pursued. A larger targeted innovation may require a greater change in the optimal combination of production factors employed. Firms face a trade-off between higher productivity and higher costs due to volatility in the optimal combination of production factors, determining optimal growth and the exposedness of the economy to business cycles. On the labour market, risk averse workers demand less innovation to reduce fluctuations. If workers need to wait one period before moving into a different job, the result is frictional unemployment. And higher growth implies higher unemployment.

Keywords: Growth, cycles, innovation, unemployment, automatic stabilizers.

JEL classification: E32, O31, O41, J64.

PARALLEL SESSION C6: HEALTH AND LABOUR ECONOMICS

Does Unemployment Make You Sick? Estimating the Causal Impact of Involuntary Job-Loss on Health

Andreas Kuhn, University of Zurich, Rafael Lalive, University of Zurich, IZA, and CESifo, and Josef Zweimüller; University of Zurich, IZA, CESifo and CEPR

Abstract: This paper studies the causal effect of involuntary job loss on health using individual social security data matched to health insurance records from Austria. We address the important issue of reverse causality - job loss being caused by deteriorating health - using worker displacement due to plan closure as an instrument. The idea is that plant closure induces a sharp and strong change in the employment career of the worker. Second, we measure health status using data on actual usage of drugs and the incidence of hospitalisation among other indicators of subjective health status.

Keywords: Social cost of unemployment, health, non-employment, plant closure.

JEL classification: I12, I19, J28, J65.

Plant Closure and Hospitalization

Martin Browning, Centre for Applied Microeconometrics, Department of Economics, University of Copenhagen, and *Eskil Heinesen* AKF, Institute of Local Government Studies Copenhagen

Abstract: We investigate whether job loss due to plant closure causes increased risk of hospitalization. Effects on a wide range of different hospital diagnoses are examined. The population studied is restricted to full-time, high-tenure workers since this group may be assumed to experience significant stress-related and other negative health effects if displaced. We use unique administrative data: A sample of all persons in Denmark who lost their job due to closure of plants in the private sector in the period 1981-2001, and a random 10% sample of the Danish population (used to form control groups). The data contain very full records on demographics, health and work status for each person, and a link from every working person to a plant. Health outcomes are based on diagnoses from somatic hospital departments for the period 1981-2003. We use the method of 'matching on observables' combined with 'difference-in-differences'

and duration analysis to estimate the effect of plant closure on hospitalization considering a wide range of diagnoses.

Keywords: Unemployment, job displacement, plant closure, health, hospitalization, matching on observables, difference-in-differnces.

JEL classification: C23, I18, J21.

Health and Socio-Economic Status: Is it Measured income or Permanent Income that Matters?

Jean-Michel Etienne, ERMES, UMR CNRS 7017, Université Panthéon-Assas

Abstract: A large number of studies exploring the relationship between health and socio-economic status rely on income as a measure of the latter. This, however, raises a number of problems that have been pointed out by a number of authors. First, there is clear evidence that the strength of the association between income and health varies across age groups which is not the case of other measures of socio-economic status such as education or wealth. Second, advocates of permanent income theory would claim that there is no reason why individuals would make their health investment decisions on the basis of a measure of income they cannot expect. In this paper, I compare the effects of permanent income and of measured income on self-assessed health. By exploiting the longitudinal dimension of the ECHP, I follow Ourti (2002) and construct a measure of permanent income. I then estimate health equations where socio-economic status is alternatively measured via current and permanent income. The results show the effect of permanent income is significantly stronger than that of measured income. In addition, the highlighted effect seems to be much more stable across age groups than that of measured income.

Keywords: Inequality, health, permanent income, panel.

JEL classification: I19; D31.

PARALLEL SESSION C7: EDUCATION AMONG IMMIGRANTS

Do Equal Educations Lead to Equal Opportunities? Students with Swedish and Immigrant Backgrounds within the Swedish Educational System

Lena Nekby and *Gülay Özcan*, Stockholm University

Abstract: Based on survey data from 1995 on students who graduated from Swedish primary schools during the spring of 1988 matched to detailed register data for the years 1995-2002, this study analyzes employment and income outcomes in the Swedish labor market 7-14 years after primary school focusing on differences between students with Swedish and immigrant backgrounds. The analysis is restricted to students who have their entire educations within the Swedish school system and who, if born abroad, immigrated to Sweden before school start at the age of 7. Controlling for a number of personal and demographic characteristics as well as systematic differences in type of secondary and tertiary education, Swedish language proficiency and socio-economic background, results indicate that students with non-European backgrounds in particular have significantly lower employment probabilities and significantly lower income levels than those with Swedish backgrounds. Separate estimations analyze to what degree early immigration explains differential outcomes to natives. Although negatively associated to employment and income outcomes, early immigration alone does not explain the results for students with non-European backgrounds. Instead differences appear to be driven by lower employment probabilities among the less educated. No long-term differences in employment probabilities and income levels were found between highly educated natives and second-generation immigrants.

Ethnic Segregation and the School Attainment Gap of England's Ethnic Minorities

Simon Burgess, Deborah Wilson, and *Adam Briggs*, CMPO, University of Bristol

Abstract: Our research has revealed stark differences among England's ethnic minorities in terms of school attainment. For example, in national exams sat at age 16 in 2002, Black Caribbean pupils achieved, on average, a total point score 0.4 standard deviations lower than the mean for White pupils. At the other end of the scale, Chinese pupils achieved a total point score of 0.6 standard deviations higher than White pupils on average. Our previous work has also shown that pupils from ethnic minorities are segregated across schools and neighbourhoods in England. The question we address in this paper is whether ethnic segregation in schools affects the test score performance of minorities. For example, do Black Caribbean pupils perform better in schools with high fractions of Black pupils, or in mixed schools, or in mostly White schools? In this paper we exploit a universe dataset of every state-school pupil in England between 2003-2004. This problem is not straightforward since ethnic minority pupils are not randomly assigned to schools. To deal with this we use the methodology used by Card & Rothstein (2005), who look at within-city relative differences to identify the effect of segregation on attainment. Our micro-data not only contains around 1 million observations and a number of pupil and school characteristics but also contains pupil postcodes (zip-codes), allowing us to define pupil's neighbourhoods and control for a rich set of neighbourhood characteristics. We also use matching techniques to compare the outcomes for minority pupils in cities with different degrees of segregation.

Return on Education for Immigrants: The Case of Highly Skilled Europeans in the United States

Johanna Schneider, Visiting Scholar Institute for the Study of International Migration Georgetown University Washington

Abstract: This paper analyzes the earnings of highly-skilled European immigrants in the United States and the effect of their place of education. The theory of economic assimilation states that return on education is lower if education was received in the immigrant's home country. This study tests this hypothesis for European immigrants with a bachelor or higher degree using micro data from the National Survey of College Graduates (National Science Foundation) to estimate an econometric model. Most studies treat European immigrants as a single group doing fairly well in the United States. However, this paper suggests that there is reason to assume differences in return on education among European countries. Indeed, idiosyncratic sociopolitical structures and heterogeneous education systems among European countries lead to significantly different regional results. As expected, those Europeans who are educated in the United States have similar earnings to native-born Americans. However, immigrants who received their degree in either Eastern or Southern European countries earn less than natives along the lines of economic assimilation theory. In contrast, and controlling for relevant variables, immigrants from Western or Northern Europe earn up to 14 and 23 percent more than comparable native-born Americans. These findings highlight how European degrees are valued and the extent to which they prepare individuals to compete in international labor markets. From a broader perspective considering the growing internationalization of education and increasing competition for highly-skilled labor, the findings may provide valuable support to the Bologna Process launched by the European Union to improve and equalize higher education in its member countries.

Princeton or Prison? A Joint Analysis of School Achievement and Crime Rate for Children of Immigrants

Youenn Lohéac, FLAVIC, INRA-Dijon and ENESAD, and *Lionel Page*, CES-TEAM, University of Paris I Panthéon-Sorbonne and CNRS

Abstract: In this paper, we conduct a comparison of first and second generation of immigrant children to natives for school achievement and some risky and delinquent behaviors based on Add Health data. By controlling for common individual characteristics, we observe that first generation immigrants have higher school results and that they invest less in risky and delinquent behaviors than others. On the contrary, second generation children do not have higher school achievement but have higher crime rates than natives.

PARALLEL SESSION C8: CONSUMER MARKETS

The Relationship between Food Consumption and Socio-economic Status of the Family: Evidence among the British Population

Paola De Agostini, University of Verona and ISER, University of Essex

Abstract: The main concerns about eating habits variation are health and increasing costs of health care services. While in underdeveloped countries poor nutrition is primarily caused by low family income and lack of food resources. In developed countries this is not the case. The causes of malnutrition are more likely to arise from an unbalanced diet structure or lack of physical activities. Many questions regarding the reasons why people are becoming obese remain unanswered. Have diet or physical activity changed over time? Do we eat more? This paper investigates the relationship between nutritional and socio-economic status among the British population. In particular, it aims to describe the dynamic of consumption over age and time by gender using data from the British National Food Survey (NFS) covering the period 1975-2000. Daily intake-age and major food group-age relationship separately for men and women are estimated by solving a non-linear least square model with a roughness penalty function approach. Focusing in particular on young age groups, trends of consumption over the 25 years period of study and the cohort effects have been explored across three classes of age. Finally, an exploration of specific trend variations in eating habits has been implemented controlling for income distribution, region of residence, household composition and presence of children. There is no evidence of strong variation in calorie consumption; however, younger generations obtain a higher amount of calories from fats than older generations at the same age. In general the sensitivity of consumption to income variation becomes smaller with the elasticity trend tending to zero.

Informal Credit Markets, Judicial Costs and Consumer Credit: Evidence from Firm Level Data

Charles Grant, University of Reading, and Mario Padula, CSEF and Universityof Salerno

Abstract: How does the punishment for default affect repayment behavior? We use administrative data provided by the leading Italian lender of unsecured credit to the household sector to investigate the effect of two potentially important factors: judicial efficiency and the availability of informal credit from family and friends. By making economic assumptions we can place upper and lower bounds on these effects. We find that the availability of informal credit reduces repayment, while variation in court enforcement has no significant effect. Moreover, households with access to informal credit are more likely to borrow from our lender.

Racial and Ethnic Discrimination in Local Consumer Markets: Exploiting the Random Assignment of Military Personnel

Heather Antecol and *Deborah A. Cobb-Clark,* Australian National University

Abstract: Economists have historically had a great deal to say about the causes and consequences of racial and gender discrimination in employment, however, the impact of discrimination on other economic interactions—in particular those taking place in consumer markets—remains relatively unstudied. Audit studies have been used to measure the extent of disparate treatment in the markets for housing and automobiles, though almost nothing is known about how discrimination affects commercial transactions

in other markets. Antidotal evidence would suggest, however, that discriminatory treatment in everyday market transactions is a fact of life for many U.S. consumers. Consumer market discrimination is problematic because it limits access to fundamental goods and services, contributes to disparities in wealth by raising prices and search costs, and generally reduces individuals' economic and psychological well-being. This paper advances the literature on consumer market discrimination by analyzing the relationship between the characteristics of local markets and the propensity for consumers to be subjected to racial and ethnic discrimination in their everyday commercial transactions. We offer two innovations on the existing, mainly audit-based, studies of discrimination in commercial transactions. First, we take advantage of a unique survey of active-duty military personnel—the Armed Forces Equal Opportunity Survey (AF-EOS)—that collects detailed information about incidents of ethnic and racial discrimination in off-base commercial transactions. A randomized variable extracted from the confidential AF-EOS data file allows us to identify separate military installations and hence the local communities in which they are located. Second, as military personnel are assigned to (rather than select) their installations, we are able to avoid the selectivity bias typically associated with research on neighborhood effects. Though the military's assignment procedure is not literally random in the sense that personnel are assigned to installations by a lottery, assignments are made without respect to an individual's race or ethnicity. Instead personnel are assigned to duty locations on the basis of their skills or training and an installation's specific needs. This process implies that any unobserved, individual characteristics affecting the propensity to report discrimination are almost certainly uncorrelated with duty location allowing us to generate unbiased estimates of the effect of local market conditions on the level of consumer market discrimination. Both of these innovations are important in advancing our understanding of discrimination within consumer markets. While audit studies in which matched pairs of "testers" engage in market transactions represent an important tool for studying discrimination, they—like other experimental methods—are often limited in their external validity. An audit study does not provide evidence on discrimination in general, but rather informs us about discrimination within the specific context defined by the study's sampling frame. Consequently, audit studies have been constrained in their ability to identify the broader circumstances—in particular the market conditions—in which discrimination in commercial transactions might occur. Understanding the conditions most conducive to consumer market discrimination would allow enforcement of anti-discrimination measures to be more effectively targeted. Moreover, audit studies are not particularly useful in situations, for example, in shops or restaurants, where the risk of discrimination per transaction is low or in measuring the effects of disparate impact discrimination (as opposed to disparate treatment discrimination). Our use of survey data to analyze the geographic dimension of discrimination adds depth to conclusions drawn from audit studies of racial and ethnic discrimination in commercial transactions.

Testing Consumers' Asymmetric Reaction to Wealth Changes
Mauro Mastrogiacomo, CPB Netherlands Bureu for Economic Policy Analysis

Abstract: This study contains several tests to show that individuals overreact to negative wealth changes, relative to positive wealth changes. This asymmetry, that is found using micro data, suggests that economists should not treat symmetrically the relation between economic variables (consumption for instance) and wealth in their models when wealth decreases. We find that this asymmetry increases with age and picks at retirement.

Friday 23rd, 9.00-11.00
PARALLEL SESSION D1: LABOUR SUPPLY

Labour Supply at Zero Wages: What Motivates Volunteers in the USA?

Martin Halla, Johannes Kepler University, Linz Austria

Abstract: This paper investigates the motivation of volunteers in the USA. The analysis is based on the interpretation of volunteering as a consumption good (consumption model) or as a mean to increase individual's own human capital (investment model). We present an econometric framework taking into account self selection into volunteering and simultaneity between the volunteering decision and the determination of income. It turns out that male volunteers receive a wage premium (6%) on the paid labor market. This can be interpreted as evidence for the investment model with a highly robust and significant impact of volunteering on the wage rate. We do not find a statistical significant wage premium for female volunteers. Within the framework of the investment model it turns out that the type of organization and/or the type of activity the volunteers engage play a major role in explaining this wage premium for men. The number of hours supplied and the number of organizations are not relevant. As far as the consumption model is concerned, we find evidence that volunteering is a normal consumption good for females, whereas the volunteering decision of men is independent of their individual level of income.
Keywords: Volunteering, human capital accumulation, wage premium, altruism.
JEL classification: J22, J24, J31, D64.

Sickness Absence and Spousal Labour Supply

Ruth-Aïda Nahum, Uppsala University

Abstract: We estimate labour supply response to spousal sickness absence (SSA) using a Swedish longitudinal panel data, from 1996-2002. The overall results present evidence of a decrease in labour supply in response to spousal sickness absence. The effect on labour supply increases with spousal earnings level. Women react stronger than men, and more often respond to current shorter term SSA , whereas men mostly react to longer term SSA.
Keywords: Sickness absence, labour supply, panel data.
JEL classification: I12, J12, J14, J22.

Assessing the Stability of the Collective Labour Supply Model: The Russian Financial Crisis as a Natural Experiment

Guy Lacroix, CIRPEE, Université Laval, *Natalia Radtchenko*, TEAM, Université Paris 1-Panthéon-Sorbonne, and Catherine Sofer, TEAM, Université Paris 1-Panthéon-Sorbonne

Abstract: This paper is the first to analyse the sharing rule stability in the framework of the collective model. The test is carried out using Russian data from the RLMS (Russia Longitudinal Monitoring Survey). The empirical model is based on the recent papers of Blomem (2004) and Donni (2003) and admits both interior and corner solutions on working hours. The data indicate that the Russian financial crisis of 1998 has had important consequences on labour market behaviour of spouses. Preliminary econometric results show that the sharing rule parameters changed drastically between the periods before and after the crisis. The parameter estimates can be used to assess the direction of the changes in intra-household welfare distribution that followed the financial crisis.
Keywords: Collective model, sharing rule, corner solution, natural experience, Russian households.
JEL classification: D1, J22, C3.

Escaping the Low Pay Trap: Do Labour Market Entrants Stand a Chance?

Dimitris Pavlopoulos and Didier Fouarge, Tilburg Institute for Social and Socio-Economic Research Tilburg University

Abstract: In this paper, we investigate the wage and employment perspectives of the low-wage labour market entrants, using panel data from the UK (BHPS), Germany (GSOEP) and the Netherlands (SEP). We specifically test the predictions of the literature concerning the school-to-work transition. Rather than just investigating the probability of escaping low pay, we apply a discrete time hazard model for transitions from low pay to higher pay, to unemployment or to other states of non-employment. The model uses a non-parametric approach to correct for unobserved heterogeneity. We find that although low pay is a rather transitory experience, especially for the high educated, there is a significant amount of transitions between low pay and non-employment. Firm specific skills are the most important determinant of low pay exits in the UK and in the Netherlands, while formal vocational training qualifications are the main relevant factor in Germany.
Keywords: Low pay, competing risks, hazard model, panel data.
JEL classification: J24, J31, C33, C41.

PARALLEL SESSION D2: PENSIONS

Self-Directed Pensions: Gender, Risk and Portfolio Choices

Jenny Säve-Söderbergh, Swedish Institute for Social Research, Stockholm University,

Abstract: Previous literature finds women to be more conservative investors. This paper challenges this by showing that differences are mainly found in the high-end of the risk distribution, controlling for a wide array of background risks. We use a unique data, including all types of workers, on individual pension portfolio choices. We additionally find the economic status of the spouse to clearly affect the portfolio choice. Distinctively, cohabitant women choose the most aggressive strategies. Finally, the study contributes to the literature on portfolio choice by confirming earlier findings on financial sophistication, labor income risk, and pension uncertainty.
Keywords: Portfolio choice, risk preferences, gender, marital status, income risk.
JEL classification: D1, D8, H3, J1.

Evaluating Pension Reforms: The Effects of Combining Work With Pension Receipt on Individuals' Retirement Decision and Financial Viability of PAYG System

Khaskhoussi Fouad and *Khaskhoussi Tarek*, University of Maine

Abstract: As underlined by Gruber and Wise (1998), in many OCDE countries, social security provisions, especially defined as pension plans, impose strong constraints on retirement decisions which incite individuals to retire early. Combined with ageing, early retirement seems to plague the financial viability of security systems. In response, governments such as France, Italy and Sweden have established pension reforms in order to encourage agents to work longer. Major recent studies on retirement often argue that additional pensions should be paid to individuals who work longer. Pension health then increases with continued work and compensates the worker for the lower life expectancy in case he postpones retirement. While there may be good reasons for such strategy, the economic consequences of this reform are not well understood. In this respect, this papers aims to better understand the effects of alternative pensions reforms on individuals' retirement decision and financial equilibrium of PAYG system. Our analysis yields strong argument in favor of a policy that aimed at eliminating the explicit tax on continued work : decreasing the contribution rate for the elder workers not only encourages individuals to delay retirement but also helps finance the expected deficit of PAYG system. Furthermore, this paper reveals that implementing incentives schemes should be accompanied by measures to increase job opportunities, including the elimination of measures and practices that impose strong limits on older workers' activities. This is particularly true for restrictions on combining receipt of pension and work income (revenues).
Keywords: Pay-as-you-go system, ageing, tax on continued work, pension reforms, Laffer curve.
JEL classification: H31, H55, J26.

Pension Incomes in the European Union: Policy Reform Strategies in Comparative Perspective

Daniela Mantovani, University of Modena and Reggio Emilia, Fotis Papadopoulos, Athens University of Economics and Business, Holly Sutherland, Institute for Social and Economic Research, University of Essex, and *Panos Tsakloglou*, Athens University of Economics and Business and IZA Bonn

Abstract: This paper considers the effects on current pensioner incomes of reforms designed to improve the long-term sustainability of public pension systems in the European Union. We use EUROMOD to simulate a set of common illustrative reforms for four countries selected on the basis of their diverse pension systems and patterns of poverty among the elderly: Denmark, Germany, Italy and the UK. The variations in fiscal and distributive effects on the one hand suggest that different paths for reform are necessary in order to achieve common objectives across countries, and on the other provide indications of the appropriate directions for reform in each case.
Keywords: Pensions, European Union, microsimulation.
JEL classification: C81, I30, H55.

PARALLEL SESSION D3: PARENTS TO CHILDREN: INTERGENERATIONAL EFFECTS

Estimating Intergenerational Effects of Education: A Comparison of Methods

Helena Holmlund, Mikael Lindahl, and *Erik Plug*, Stockholm University

Abstract: Recent studies that aim to estimate the causal link between the education of parents and their children provide evidence that is far from conclusive. This paper explores why. There are a number of possible explanations. One is that these studies rely on different data sources, gathered in different countries at different times. The other one is that these studies use different identification strategies. Three identification strategies are currently in use: identical twins; adoptees; and instrumental variables. In this paper we propose to apply each of these three strategies to one particular Swedish data set. The purpose is threefold: (i) explain the disparate evidence in the recent literature; (ii) learn more about the quality of each identification procedure; and (iii) get a better perspective about intergenerational effects of education. Some preliminary findings indicate that the estimated impact of parental education on that of the child in Sweden does not depend on identification, which suggests that country and cohort differences may lie behind the observed disparities.

Comparable Estimates of Intergenerational Income Mobility in Italy

Patrizio Piraino, University of Siena

Abstract: This paper examines the degree of intergenerational economic mobility in Italy. It adds to the growing number of international studies of the extent to which economic status is passed on across generations. On the basis of recent econometric innovations used in the literature (Bjorklund and Jantti, 1997), we are able to overcome some of the data limitations for Italy. We use the Historical Database of the Bank of Italy households survey, which contains information from 1977 to 2002. Retrospective information in the repeated cross-sections may be exploited by applying a two-sample two stage least squares estimation. We estimate the intergenerational income elasticity for Italy and find that mobility is limited. From an overall comparison, the evidence provided in this paper hints at Italy in the low-mobility group among advanced societies in the range of values found in the US and the UK. The analysis of the results allows a characterization of the main patterns in the transmission of economic status in Italy. We find that only a small fraction of the intergenerational coefficient is accounted for by the superior educational attainments of richer children.
Keywords: Intergenerational mobility, personal income, two sample two stage least squares.
JEL classification: J62; D31.

Worker Displacement and Offspring: Are the any Intergenerational Effects?

Espen Bratberg, University of Bergen, *Øivind Anti Nilsen*, Norwegian School of Economics and Business Administration, and IZA, and Kjell Vaage, University of Bergen

Abstract: Existing literature in the literature on of intergenerational mobility have mainly focused on earnings (see Solon (1999) for a review) and educations (for instance Black et al. (2005)), while the number of studies on potential scaring effects from displacement from one generation to the next is more limited. This limitation may be related that the fact that the latter type of analysis is rather data intensive. Using Canadian panel data, Oreopolous et al. (2005) find that children whose fathers were displaced have annual earnings about 9% lower than similar children whose father did not experience and employment shock. Using matched employer-employee data from Norway, we analyse the effect of fathers' displacement on the labour force attachment measured as months of full time employment and annual earnings of the children of the displaced workers. Studies of intergenerational earnings or income mobility in Scandinavia indicate that the mobility in these countries is quite high compared to U. K. and U. S., a result that may be related to policies aimed at reducing inequality. Our knowledge about the long-term effects of displacement in the Scandinavian countries is scarce (see for instance Huttunen et al. (2006)), and to our knowledge non-existing when it comes to the intergenerational effects of workers displacement. This paper aims at closing this gap in our knowledge. The data used in our study allow us to look at both plant closings and significant downsizing of plants. We are furthermore able to construct a control group of offspring without the experience of fathers' displacement, using both plant characteristics and characteristics of the workers.

Intergenerational Earnings Mobility: Changes across Cohorts in Britain

Ermisch J. and *C. Nicoletti*, Institute for Social and Economic Research, University of Essex

Abstract: The aim of this paper is to analyse intergenerational earnings mobility in Britain for cohorts of sons born between 1950 and 1972. Since there are no British surveys with information on both sons and their fathers' earnings covering the above period, we consider two separate samples from the British Household Panel Survey: a first sample containing information on sons' earnings and a set of occupational and education characteristics of their fathers and a second one with data on the same set of fathers' characteristics and their earnings. We combine information from the two samples by using the two-sample two-stage least square estimator described by Arellano and Meghir (1992) and Ridder and Moffit (2005).

PARALLEL SESSION D4: SPECIALIZATION WITHIN-HOUSEHOLD DECISIONS

Intrahousehold Specialization in Housework - A Cross-Country Application to Time Diary and Questionnaire Data

Jens Bonke, Mette Deding, *Mette Lausten*, The Danish National Institute of Social Research, DK, and Leslie Stratton, Virginia Commonwealth University, US

Abstract: We test Stratton's model of intrahousehold specialization by first replicating her results using similar US data, then performing comparable analysis using both questionnaire- and time diary-based data on a similar set of housework activities from the 2001 Danish Time Use Survey. This analysis provides evidence of both cross-country and cross-data type differences in the measurement of and the factors related to intrahousehold specialization. The two data sets are the 1992-94 wave of the US based National Survey of Families and Households (NSFH), and the 2001 Danish Time Use Survey (DTUS). We choose here to focus on specialization by task rather than by time performed in order to more closely mimic the type of specialization captured by questionnaire data. One key difference observed between the Danish and US results is in the impact of children on intrahousehold specialization. These cross-country differences are likely attributable to the substantial cross-country differences in the availability of affordable, high quality day care. The Danish social welfare system provides subsidized childcare services

that are only available at high cost in the private sector in the US. Thus, the impact of children on households is likely to be greater in the US than in Denmark and so affects intrahousehold specialization more in the US than in Denmark.

Household Production in the Family - Work or Pleasure?

Mette Gørtz, CAM, Department of Economics, University of Copenhagen

Abstract: According to the classical household production model, an individual decides how much time to spend in household production based on the shadow price of his/her time spent in the labour market. This prediction has sometimes been criticized based on the reflection that some housework activities provide extra benefits beyond the consumption value of household production. The extra utility may be in the form of leisure which is (primarily) enjoyed by the person undertaking the activity, so-called "activity benefits". Examples of this include childcare, gardening and do-it-yourself projects. This paper investigates the question of what is work and what is pleasure in household production. We apply a household production model which explicitly incorporates "activity benefits" to model the joint allocation of time for husband and wife. The model is tested on data from a Danish time use survey from 2001 which has information on time spent in household production for both partners in some 600 Danish households. On the empirical side, the paper suggests using a GMM 3SLS estimator instead of the more restrictive Full Information Maximum Likelihood (FIML) estimator which has been used in previous empirical studies. We do not find significant evidence of "activity benefits" for men in household production, but we do find some weak signs of the presence of such extra benefits for women. The paper provides an extensive discussion of the identification issues involved. One important problem is that the benefits identified are not necessarily related to the household production activity, but might just as well be due to the fact that households may attach extra value to goods produced by themselves rather than by someone else, i.e. "consumption benefits". We show that the outcome of "activity benefits" and "consumption benefits" may be observationally equivalent.
Keywords: Household production, GMM, FIML.
JEL classification: C31, D13, J22.

Earnings and Spousal Mobility: Power Couples and Trailing Spouses

Terra McKinnish, Economics Dept, University of Colorado

Abstract: This paper studies the effect of having a spouse in a more or less mobile occupation on an individual's earnings, and how this effect differs between men and women. Mobility measures are calculated by occupation and education from the 2000 Census, where mobility is defined as the fraction of workers in that occupation-education class that have migrated across state lines in the past 5 years. Migration and earnings are analyzed separately for four groups of couples: both have college degrees ("power couples"), only the husband has a college degree, only the wife has a college degree, and neither has a college degree. The earnings analysis uses occupation fixed-effects and average wage in occupation-education class to control for substantial heterogeneity in earnings potential. Results indicate that the mobility rates in both the husband's and wife's occupation affect the household migration decision, but mobility in the husband's occupation matters considerably more. For couples in which the husband has a college degree, regardless of wife's education, wife's mobility has a positive effect on husband's earnings, but husband's mobility has an even larger, significant negative effect on wife's earnings. Among couples in which only the wife has a college degree and there are no children, the wife does not suffer from her husband's mobility. In couples in which only the wife has a college degree and there are children, the wife suffers a negative effect that is substantially smaller than that estimated for couples where the husband has a college degree.

PARALLEL SESSION D5: LABOUR MARKETS I

Competitive and Segmented Informal Labor Markets

Isabel Günther, University of Göttingen, and Andrey Launov University of Würzburg and IZA, Bonn

Abstract: It has recently been argued that the informal sector in developing countries shows a dual structure, with part of the informal sector being competitive to the formal sector and part of the informal sector being the result of market segmentation. Although several authors have stressed this hypothesis, it has so far not received satisfactory empirical treatment. Hence, we formulate a model that allows testing econometrically the hypothesis that the informal labor market comprises two distinct segments. Our model integrates Heckman regression with sample selection into a finite mixture setting, which takes into account both selectivity bias and the fact that sector affiliation of an individual in the informal sector is generally unobservable. An estimation of the model for the urban labor market in Côte d'Ivoire, shows that the informal labor market is indeed composed of two segments with both competitive as well as segmented employment.
Keywords: Informal labor market, segmentation, comparative advantage, selection bias, latent structure, finite mixture.
JEL classification: J42, O17.

Making Work Pay' in a Rationed Labour Market: the Mini-Job Reform in Germany

Olivier Bargain, IZA, Bonn, Marco Caliendo, DIW Berlin, IZA Bonn, IAB Nuremberg, *Peter Haan*, DIW Berlin, FU Berlin, and Kristian Orsini, KU Leuven

Abstract: To tackle mass unemployment and increase participation rates, the German government over recent years has mainly focused on supply side strategies, including 'making work pay' policies. The 2003 Mini-Job reform introduced an extended subsidy of social security contributions for low wage workers. In this paper, we evaluate the employment effects of this reform using a behavioural tax-benefit microsimulation model. Ex-ante micro policy evaluations based on labour supply models usually ignore involuntary unemployment. This leads to biased estimates of labour supply elasticities and erroneous predictions of the effects of the measure. This aspect is all the more important in a country like Germany, characterized by high unemployment. In this analysis we evaluate the employment effects of the Mini-Job reform by controlling for involuntary unemployment through a double-hurdle model. When focusing on the main labour force, we show that the Mini-Job reform has only a small positive effect on the extensive margin, which is outweighed by a reduction of working hours at the intensive margin.
Keywords: Tax-benefit systems, microsimulation, household labour supply, multinomial Logit, involuntary unemployment.
JEL classification: C25, C52, H31, J22.

PARALLEL SESSION D6: OCCUPATIONAL SORTING FOR JOB CHOICE

Job-to-Job and Job-to-Non-Employment Transitions: Does Education Matter? A Cross-Country Comparison

I. Theodossiou and *A. Zangelidis*, Centre for European Market Research (CELMR), University of Aberdeen Business School, UK.

Abstract: This paper examines the turnover behaviour of men and women in six European countries for the period 1994-2001. Although men and women exhibit similar job separation patterns overall, men appear to be more mobile across jobs whereas women are more likely to exit to non-employment. In addition, education is estimated to have a significant impact on turnover decisions, primarily for women. Furthermore, market demand factors like the unemployment rate affect the JJ transition probability, but does not influence the exit to non-employment. The estimates suggest that a 1 percent increase in unemployment rate lead to a 2 percent decrease in the JJ turnover probability. Regarding the cross-country comparisons, despite the institutional differences between the countries, there are remarkable similarities

in individuals' mobility behaviour. In contrast, societal constraints and cultural norms seem to play a more important role especially on women's job turnover, reflecting women's central role in household duties and childcare. While women respond to increased household duties by exiting to non-employment, men, as primary earners of the household, respond in the opposite way. These patterns are more evident in the Mediterranean countries, Spain and Greece.

Keywords: Job mobility, gender, education, unemployment.

JEL classification: J16, J60, J63.

Decreasing Job Stability in Norway?

Espen Bratberg, Dept. of Economics, University of Bergen, Kjell Vaage, Dept. of Economics, Norwegian School of Economics and Business Administration, and Kjell Gunnar Salvanes, Dept. of Economics, University of Bergen

Abstract: It is a widespread popular belief that jobs have become less stable in the Western world. We use matched employer-employee data 1986-2002 to address this issue for the Norwegian case, analyzing tenure and separation rates. Descriptive evidence indicates that median tenure increased in the mid-eighties, decreased in the recession that followed and still has a slightly negative trend in the late nineties. In the manufacturing sector median tenure is increasing from the late nineties, however. There is no clear pattern in hiring rates in the period of study. Job separation rates tend to increase in recessions but with no clear long run trend. Splitting separations by destination shows that job-to-job changes has increased from the mid-nineties, whereas there is a decreasing tendency in transitions to joblessness, defined as not having found a new job within one year. A regression analysis indicates a positive trend in the probability of having less then one year tenure and a negative trend in the probability of having more than five years tenure. Furthermore, a positive trend in the probability of a job change, and a negative trend in the probability of a transition to joblessness. Thus the tendency to somewhat less stable jobs is driven mainly by an increased tendency to job changes.

The Concept of Shapley Decomposition and the Study of Occupational Segregation: Methodological Considerations with an Application to Swiss Data

Joseph Deutsch, Dept. of Economics, Bar-Ilan University, Israel, Yves Flückiger, Département d'éçonomie politique, Université de Genève, and *Jacques Silber*, Dept. of Economics, Bar-Ilan University, Israel

Abstract: This paper generalizes a decomposition procedure originally proposed by Karmel and McLachlan. The idea is to combine their approach with what is now known as the Shapley decomposition. Such a generalization offers a clear breakdown of the variation over time in occupational segregation (change in gross segregation) into a component measuring changes in net segregation and another one corresponding to changes in the margin, the latter itself including variations in the occupational structure and in the shares of the subpopulations (e.g. the genders) in the labor force. This new decomposition may easily be extended to the cases where more than two categories are distinguished or when there are more than three dimensions. The results of the empirical illustration based on Swiss data for 1970 and 2000 proved the usefulness of the approach. They stressed in particular that in several instances variations in gross and net segregation worked in opposite directions.

Cross-sectional Earnings Risk and Occupational Sorting: The Role of Risk Attitudes

Holger Bonin, IZA, Thomas Dohmen, and Armin Falk

Abstract: This paper investigates whether risk preferences explain how individuals are sorted into occupations with different earnings variability. We exploit data from the German Socio-Economic Panel, which contains a subjective assessment of willingness to take risks whose behavioral relevance has been validated in previous work. As a measure of earnings risk, we use the cross-sectional variation in earnings

that is left unexplained by human capital in Mincerian wage regressions. By relating earnings risk to the measure of individual risk preference, our evidence shows that individuals with low willingness to take risks are more likely to be sorted into occupations with low earnings risk. This pattern is found regardless of the level of occupation categories, region, gender and labor market experience. We also find that risk preferences are significant determinant of wages in a Mincer regression, illustrating the importance of preferences and attitudes in addition to more standard regressors.
Keywords: Occupational choice, sorting, risk preferences, GSOEP, earnings risk.
JEL classification: J24, J31, D01, D81.

PARALLEL SESSION D7: MARRIAGE AND MIGRATION

Marriage Migrants from Turkey and Pakistan on the Danish Labour Market -The influence of Family Characteristics and the Area the Immigrants Live

Vibeke Jakobsen, The Danish National Institute of Social Research

Abstract: Some immigrants soon find employment after immigration, while others stay outside the labour market for years. One explanation is that some immigrants have networks that teach them how to apply for jobs or make connections with employers. Evidence suggests that this explanation could improve our understanding of the labour market assimilation process. The purpose of this paper is to analyse to what extent characteristics of the family in Denmark (the family of the spouse) and the area the immigrant live in influence the employment probability of newly arrived immigrants, and how this influence differs for men and women. This is analysed using a data set describing Turkish and Pakistan immigrants who arrived to Denmark in the period 1994-1997, and who immigrated to Denmark due to family reunion with a spouse living in Denmark.
Keywords: Immigrants, employment, network, family, gender.
JEL classification: J15, J16, J61.

Dual-earner Migration in Britain. Earnings Gains, Employment, and Self-selection

Birgitta Rabe, Ruhr-University Bochum, Institute for Social and Economic Research, Essex

Abstract: This paper examines how spouses in dual-earner couples in Britain weigh each partner's expected wage growth in the decision to migrate. Previous research suggests that husbands' job prospects dominate the migration choice irrespective of their relative earnings potential. Based on British panel data this paper employs an endogenous switching model and estimates wage change differentials of migrating vs. staying for husbands and wives corrected for double selectivity of migration and employment. The analysis shows that dual-earner couples put roughly equal weights on each partner's expected wage gains when deciding to migrate. Moreover, migrant wives' employment declines temporarily and there are significant selection effects in migration and employment among non-migrants.
Keywords: Family migration, dual-earner couples, double selection, endogenous switching.
JEL classification: J61, D19, C35.

Professional Consequences of Couple Migration: Evidence from France

Ariane Pailhé and *Anne Solaz*, INED

Abstract: The studies which study the professional consequences of spatial mobility are largely individual-centered. This article considers the long distance spatial mobility as a joint decision of the couple which may have different consequences for both partners in terms of activity, job type or earnings. We answer four main questions: 1) How do each partner's characteristics play on the family decision to move? 2) How does migration affect the activity of each partner? 3) How does the migration affect the household and individual earnings and the gap between partner wages? 4) How does the migration affect the job

satisfaction of each partner? The data comes from the French part of the ECHP (European Community Household Panel, 1994-2001) which counts 12,376 year-observation couples. A two-step model according to the Heckman's method is used. We first estimate the probability that the couple move outside the current department with a probit model with random effect on panel data. Secondly, we analyze the consequences in terms of activity, income and job satisfaction of the couple migration. Results show that couple migration diminishes the probability of being a dual-earner couple the year following the migration, but increases it the year after. As the Mincer's model predicts, couples realize the profitable migrations (increase of total income), but migration is not always profitable for both partners individually. The gender gap increases after a migration. Women are usually "tied movers" and could loose their job, at least in a short term.

Sex and Migration: Who is the Tied Mover?

Johanna Astrom, Umeå University, and Olle Westerlund

Abstract: We study the effects of migration on two-earner households' total gross wage earnings and on the relative income between married/cohabiting men and women. In particular, we examine the role of pre-migration education level on the relative gains between spouses. The empirical analysis is based on longitudinal data from Sweden and functional regional labour markets as regional entities. Using difference-in-differences propensity score matching it is found that migration increases total gross wage earnings of households and decreases the male-female earnings gap. Moreover, we find that the pre-migration level of education is a key determinant of migration and the economic outcome for the household as well as for the effect on the income distribution within the household. The biggest effect on total household earnings is found for couples consisting of a highly educated male and a low educated female; the total household earnings gain, the four years following the move, is around twice as high compared to couples where both spouses have higher education. When examining the change in the female share of total household earnings we find that the spouse with the highest educational level gains the most from migration. If they have the same educational level, the female acquires a relatively larger earnings profit in low educated couples. The males receive relatively larger increases in earnings among the highly educated couples.

PARALLEL SESSION D8: TRANSFER PROGRAMS

Piecewise Linear Taxation and Earnings Related Transfer Programs

Patricia Apps and *Ray Rees*

Abstract: The large literature on optimal taxation theory in public economics is concerned almost exclusively with non linear taxation, following Mirrlees's paper of 1971, and linear taxation, following Sheshinski's paper of 1972. In reality virtually all income tax systems are piecewise linear, yet only a small handful of papers in the literature deal with this problem. The analysis of piecewise linear taxation is not a simple extrapolation of those for non linear and linear taxation respectively, but raises new issues, in particular the choice of thresholds at which marginal tax rates change, and the relationship between successive marginal tax rates. In practice marginal tax rates are invariably increasing, but the simulation results of Slemrod et al (1994) seem to suggest that this is rarely optimal. The present paper first presents a new theoretical treatment of optimal piecewise linear taxation. It then relates the theory to the discussion of earned income tax credit programs and the taxation of couples.

Welfare Magnets in Europe and the Costs of a Harmonised Social Assistance

Giacomo De Giorgi, UCL and FRDB, and *Michele Pellizzari*, IGIER-Bocconi, IZA and FRDB

Abstract: The enlargement of the European Union has increased concerns about the role of generous welfare transfers in attracting migrants. This paper explores the issue of welfare migration across the 15

countries of the pre-enlargement Union and finds a significant but small effect of the generosity of welfare on migration decisions. This effect, however, is still large enough to distort the distribution of migration flows and, possibly, offset the potential benefits of migration as an inflow of mobile labour into countries with traditionally sedentary native workers. A possible way to eliminate these distortions is the harmonisation of welfare at the level of the Union. The second part of the paper estimates the costs and benefits of what could be a first step in this direction: the introduction of a uniform European minimum income. The results show that, for a realistic minimum income threshold, the new system would cost about two thirds of what is currently spent on housing and social assistance benefits. Despite its reasonable cost, the distribution of net donors and net receivers across countries is such that the actual implementation of this system would be politically problematic.
Keywords: EU enlargement, migration, welfare state.
JEL classification: J61.

Welfare Participation and Persistence

Thomas Andrén, Dept. of Economics, Göteborg University, and IZA, Bonn

Abstract: Welfare persistence is estimated and compared between Swedish born and foreign born individuals. It is done within the framework of a time stationary dynamic discrete choice model controlling for the initial condition and unobserved heterogeneity. Two different kinds of state dependence in welfare persistence are estimated, and factors that determine their size are analyzed. The results show that there is a positive and significant effect of state dependence for both Swedish born and foreign where the effect is slightly stronger for the latter group. There seems to be an accumulation process going on which further strengthen the dependence and the long term persistence. This effect is much larger for the Swedish born, even though the relative size is small compared to the effect of state dependence. For the Swedish born the effect of state dependence is increasing if the individual is living in a region where the average regional welfare duration is large. The regional rate of welfare participation and the size of the welfare norm turn out to have no effect on the state dependence for Swedish born participants. For the foreign born participants the effect of state dependence is increasing with the age of the individual, with the size of the welfare norm and with the size of the average regional welfare duration. The regional rate of welfare participation has no effect on the state dependence. The size of the state dependence is also found to increase if the individual had a cohabitant. That was not the case for the Swedish born group.
Keywords: Welfare participation, immigrants, dynamic probit model, persistence, state dependence, unobserved heterogeneity, initial condition, GHK simulator.

Welfare Participation among Immigrants and Natives: Evidence from the Swedish Income Panel

Mattia Makovec, Università Bocconi, European Centre for Social Welfare Policy and Research, and Asghar Zaidi, Dept. for Work and Pensions, CASE/LSE

Abstract: This paper confronts the participation of immigrants and native population in welfare programs (mainly unemployment benefits and social assistance) in Sweden and their consequences on labour market participation of the two population subgroups. Sweden represents an ideal case study of immigrants' labour market integration given the generosity of its welfare system and the rapid increase in the immigrant population occurred at the beginning of the 1990s. The main contribution of this paper is first to extend the scope of the analysis of existing studies to a longer time span, covering the periods both before and after the economic crisis experienced by the country in the early 1990s. With this purpose, a unique data source has been used, the Swedish Income Panel, an administrative database linking information from income tax records to population registers available at Statistics Sweden, built up in the 1970s to study the degree of assimilation of immigrants in the Swedish labor market. Second, the availability of a longer temporal dimension, enables us to model not only state probabilities, but also entry and exit from/into different states and the degree of persistence in each state among natives and foreign-born. We therefore use a competing risk discrete time hazard model, to model explicitly how the time spent in employment, unemployment and social assistance affects the transitions between different states,

and to predict the mean duration in each state for the population subgroups of interest. Our main findings confirm that immigrants are more likely to participate in unemployment and social assistance than natives; in addition, we show that the persistence of unemployment for the foreign born population has increased more than for the native population after the early 1990s crisis. Third, we find a sharp increase in the expected duration of social assistance recipiency much higher for immigrants (both refugees and non-refugees) starting exactly in the early 1990s.

Friday 23rd, 13.45-15.45
PARALLEL SESSION E1: INTERGENERATIONAL TRANSFERS

The Effects of Intra-household Differences of Education on Home-Leaving in Indonesia

Firman Witoelar, Postdoctoral Fellow, Economic Growth Center, Yale University.

Abstract: The paper investigates some of the underlying factors determining the probability of household division, defined here as the event when an adult leaves his or her original household, utilizing data from three waves of the Indonesia Family Life Survey (IFLS1 - 1993, IFLS2, 1997, and IFLS3- 2000). Borrowing the empirical framework suggested by Foster and Rosenzweig (2002), I estimate the probability of household division by the subsequent waves of the survey, using household variables from an earlier wave as the explanatory variables. The findings suggest that education variables play an important, although limited, role in determining household division. There is evidence that higher education of household head is associated with lower propensity of a young adult household member to leave. On the other hand, higher maximum years of schooling of other members in the household are associated with higher probability of household division. These results, along with the finding showing that rural households are more likely to divide, indicate that household division in Indonesia may largely be associated with the mobility of young, more educated members from rural areas. While the empirical framework is based on a collective household model, the results can be explained within the context of unitary household model. This paper contributes to the growing literature economics of the household that focus on the household formation and dissolution.
Keywords: Household division, home-leaving, intergenerational living arrangement, Indonesia.
JEL classification: D13, J12, O12.

Leaving the Nest in Spain: A Panel Study

Iñaki Vázquez and *Jose Alberto Molina*, Dept. of Economic Analysis, University of Zaragoza

Abstract: Although there're not so much studies about it, it's clear that in the last twenty years the Spanish family structure has suffered an important change. Young adults in Spain are champions (with italian ones) in home staying. In the South of Europe, youth delays nest leaving decision until they are almost three years older than in Northern countries. In Spain when they are about 31 years, and usually to live with their partner or wife. The main purpose of this work is to explore the decision of leaving home itself, including in the analysis different socioeconomic factors as can be sex ratio, region, the young adult's income, family total income or housing prices. In order to do that, we use the eight available waves of the European Household Panel, which provides us more than 4.000 young adults between 18 and 35 years old. Econometric technique used, a bi-probit with selection bias (van de Ven & van Praag 1981) has never been applied with Spanish data, and includes as instrumental the usual static approach, (Fernández-Cordón 1997, Holdsworth, et al 2002, Martínez-Granado & Ruiz-Castillo 2002, Laferrère & Bessière 2003).

Bargaining Power and Intergenerational Coresidence: Adult Children and Their Disabled Elderly Parents

Liliana E. Pezzin, Medical College of Wisconsin, *Robert A. Pollak*, Department of Economics and Olin School, Washington University, and Barbara S. Schone, Agency for Healthcare Research and Quality and Georgetown University

Abstract: In this paper, we use a game-theoretic framework of families' living and care arrangements to formulate an empirical model of the effects of changes in parent-child coresidence on time transfers by adult children of unpartnered disabled elderly parents. Our theoretical framework suggests that children recognize that if they coreside with the parent, then their siblings may respond by reducing their transfers of time to the parent. In general, our results support the notion that coresidence reduces the bargaining power of coresiding children relative to their non-coresident siblings. We observe significant reductions in

the likelihood of providing informal care and in the intensity of care provided by children with siblings who begin to reside with their parent relative to children with no sibling who lived with a parent in either point in time. Similarly, children increase their likelihood and intensity of care provision when siblings no longer coreside with a parent. These findings highlight the importance of understanding the dynamics of family interactions when evaluating long-term care policies.

Intergenerational Transfers and Elderly Coresidence with Adult Children in Rural India

Sarmistha Pal, Dept. of Economics, Brunel University, Uxbridge, U. K.

Abstract: The paper argues that an elderly person's coresidence with children is an important aspect of the intergenerational transfers, generally overlooked in the literature, involving both financial and non-financial exchanges of services between elderly parents and coresident adult children. This allows us to determine the effects of financial and other contributions of the elderly and adult children on coresidency arrangements in rural India, using recent NSS data. Given that the determination of a single coresidency equation in terms of the two-way contributions is likely to give rise to highly biased results, we estimate a correlated recursive system of equations, addressing the issue of simultaneity bias. These corrected estimates highlight the lack of caring for disadvantaged elderly persons, who are older, have the wrong gender (i.e. female), have no spouse and also who lack health, wealth or both in a society with virtual absence of extra-familial welfare institutions.

PARALLEL SESSION E2: CHILD LABOUR VS. SCHOOLING FOR CHILDREN

Delayed School Enrolment: Evidence from Rural Bangladesh

Hayfa Grira, University of Paris 1 Pantheon Sorbonne

Abstract: This paper attempts to understand why children often delay school enrolment despite the prediction of human capital theory that schooling should begin at the earliest possible age. We explore different explanations of delayed enrolment but focus particularly on the effect of child health on the timing of human capital investment and on ultimate attainment. We improve on past studies in a number of ways mainly by incorporating into our analysis the endogenous nature of child health and by correcting for the problem of censoring variables. Using the Matlab Health and Socioeconomic Survey conducted in Bangladesh (1996), our results strongly suggest that early childhood malnutrition is the cause of delayed enrolment. The borrowing constraint hypothesis and the rationing of places in school also appear to be plausible explanations.

"Intrinsic Competition" and the Labor-Schooling Trade-off in Uganda

Bernhard Ganglmair, Bonn Graduate School of Economics, University Bonn, Dept. of Economics

Abstract: I argue that a household's interdependent decisions over their children's labor and school activities are not only a function of observable "hard facts" but also of its intrinsic values and beliefs. Applying econometric methods, after all observable factors have been controlled for, the degree to which these joint decisions over these two activities are correlated can be seen as the "intrinsic competition"

households and children face. This coefficient of the labor-school trade-off is not associated with any observable variables and should therefore be object of future research in the field. In the empirical study, quite recent and hardly discussed data from Uganda is used for the joint estimation of child labor and school attendance applying a bivariate probit model. The results shed light on the degree of the unobserved or "intrinsic competition" between labor and school attendance. Results implying a stronger trade-off between these two decisions in urban than rural areas and stronger for girls than for boys are obtained. Especially rural boys have a considerably higher tendency to combine their labor activities with schooling while the obtained trade-off implies for girls to specialize. Results seem to be driven by unobserved cost-related factors, no clear explanation on this, however, is found.

Keywords: Child labor, school attendance, education, decision trade-off, intrinsic competition, bivariate probit, Uganda.

JEL classification: C35, J82, O15.

Analysis of Child Labour and School Attendance in Nigeria: The Present and Future Implications

Obayelu Abiodun Elijah and Victor Okoruwa, Dept. of Agricultural Economics, Faculty of Agriculture and Forestry, University of lbadan, lbadan .Oyo State, Nigeria

Abstract: Child labour acts as a major hurdle for ensuring free, quality education for all children. Over 246 million girls and boys around the World are working instead of attending school and enjoying their childhood of which Nigeria account for about 6.1% (15million). This paper investigated the motivating factors into child labour in Nigeria, examined Nigerian government efforts at reduction and improvement of child labour and school attendant rates. The result showed that child labours are predominantly found in the informal sector of Nigeria with family characteristics as a very important determining factor of children's educational attainment and labour in Nigeria. The future implication of the exploitation of child labour will not only damages the children concerned but also inhibits the emergence of a skilled workforce, but will force Nigeria into a cycle of impoverishment. It will lead to high child mortality rate as a result of working too young, for too many hours, and in hazardous conditions. By the time such children reach adulthood they are often damaged physically, emotionally, morally and intellectually and would have lost the opportunity for an education that would open up a better futures and the amount of schooling in children today determines the wage they command as adult tomorrow. Government should not only emphasis the need for a reduction in family size but also enforce the law on the ban of child labour and compulsory education and give parent who want to educate their child access to market credit.

Keywords: Child labours, school attendance, present implications, future implications and Nigeria.

PARALLEL SESSION E3: THE GENDER WAGE GAP: INTERNATIONAL COMPARISONS

Is It the Way She Moves? New Evidence on the Gender Wage Growth Gap In the Early Careers of Men and Women in Italy

Emilia Del Bono, University of Essex, and Daniela Vuri, University of Florence

Abstract: This paper explores a newly available Italian panel dataset obtained from a 1:90 sample of social security administrative records (INPS) to investigate whether observed differences in the characteristics of workers and firms, and observed differences in job mobility are able to explain gender differences in log wage growth. We focus on the wage growth of individuals aged 15-30, a crucial period in the formation of lifetime earnings. We find that there is a significant and growing pay differential between men and women during their early careers, and that between-firm wage growth is substantially higher for men than for women. Controlling for individual observed and unobserved heterogeneity does not reduce, instead exacerbates the effect of a firm change on the gender wage growth gap. On the other hand, when we take into account the type of industry, occupation, and the size of the firm workers move to when changing employer we see a reduction of the unexplained gender differential. We also find that women are not

always penalized with respect to men, but this occurs only for positive wage changes, for the highest wage increases, and when women move towards larger firms. These results suggest that job and firm characteristics, rather than across-the-board discrimination, are the most important determinants of the gender wage growth differential in the Italian labour market.

Keywords: Job mobility, gender gap, wage growth, fixed effects.
JEL classification: J16, J31, C23.

Glass Ceiling or Sticky Floor? Exploring the Australian Gender Pay Gap using Quantile Regression and Counterfactual Decomposition Methods

Hiau Joo Kee, The Australian National University

Abstract: Using the HILDA survey, this paper analyses the gender wage gaps across the wage distribution in both the public and private sectors in Australia. Quantile Regression (QR) techniques are used to control for various characteristics at different points of the wage distributions. Counterfactual decomposition analysis, adjusted for the QR framework, is utilised to examine if the gap is attributed to gender differences in characteristics, or to differing returns between genders. The main finding is that a strong glass ceiling effect is detected only in the private sector. A second finding is that the acceleration in the gender gap across the distribution does not vanish even after account is taken of an extensive set of statistical controls. This suggests that the observed wage gap is a result of differences in returns to genders. By focussing only on the mean gender wage gap, substantial variations of the gap will be hidden.

Keywords: Glass ceiling, sticky floor, quantile regression, public sector.
JEL classifications: J16, J31, J7.

Ceilings or Floors?: Gender Wage Gaps by Education in Spain

Sara de la Rica, Universidad del País Vasco & IZA, Juan J. Dolado, Universidad Carlos III & CEPR & IZA, and Vanesa Llorens, LECG Consulting Spain S.L.

Abstract: This paper analyses the gender gap throughout the wage distribution in Spain using data from the ECHP. Quantile regression and panel data techniques are used to estimate wage equations for high and less-educated workers at relevant percentiles in a given representative year (1999), and over time (1994-2001). In contrast with the steep increasing pattern found in other countries, the flatter evolution of the Spanish gender gap hides an intriguing composition effect when the sample of workers is split by education. For high-educated workers, in line with the predictions of conventional glass ceiling hypothesis, the gap increases as we move up the distribution. However, our main finding is that the gap for the group with lower education has a strong negative slope, i.e, a much higher gap at the bottom than at the top of the distribution. This declining pattern is even more acute when selectivity is corrected and remains similarly shaped when differences in characteristics are eliminated from the gap. We label this novel pattern as glass floors and argue that it can be explained by statistical discrimination exerted by employers in countries where less-educated women have low participation rates. Such a hypothesis is further confirmed when the panel structure of the ECHP is exploited.

Keywords: Gender gap, glass ceilings, glass floors, quantile regressions, panel data.
JEL classification: J16, J71.

Evaluating the Effects of New Technologies on the Gender Wage Gap

Eva Moreno Galbis, University of Maine,and Francois-Charles Wolff, University of Nantes

Abstract: The introduction of information and communication technologies (ICT) over the past decades seems to have increased returns to education, accentuating wage inequalities between skilled and unskilled workers. This paper seeks to contribute to the existing literature on the effects of novel technological practices by analyzing the impact of ICT on the gender pay gap along the wage distribution. Our empirical analysis relies on two complementary French surveys conducted in 1998 on a large sample of employees. We estimate quantile regressions and use a difference-in-difference strategy to determine the impact of new technologies on the gender wage gap. We find that the gender gap is much higher among ICT-users

than among non-users at the upper tail of the wage distribution (glass ceiling effect). Furthermore, insights from a quantile decomposition show that for both types of workers, gender differences are mainly due to divergences in the return to individual labor characteristics.

Keywords: Gender wage gap, glass ceiling information and communication technologies, quantile, regressions.

JEL classification: J16, J71, O33.

PARALLEL SESSION E4: WITHIN-HOUSEHOLD MODELS

Imperfect Commitment, Social Constraints and Household Time Allocation

Cristina Fernandez, IESE Business School University of Essex, and *Almudena Sevilla-Sanz*, ISER, University of Essex

Abstract: Economic theories of the household predict that increases in relative female human capital lead to increases in female labor force participation and, symmetrically, to decreases in the female time devoted to household production. However, both at the longitudinal and cross-sectional level we observe that, despite the decline in the wage gender gap, specialization in home production continues to be high, with women providing most of household produced goods and services. We develop a simple model that recognizes the imperfect commitment associated to the contractual processes over household time allocation. In the light of the model, imperfect commitment is characterized as a constraint on the household division of labor beyond what is considered to be "socially acceptable." The model predicts that imperfect commitment problems are stronger (and thus the social constraint more likely to bind) (1) the higher the woman's relative wage and (2) the less credible threats available. We test the model using the 2002-2003 Spanish Time Use Survey, a time diary survey with information on the time devoted to household production activities by both partners. Empirical findings support the proposed model of imperfect commitment in the allocation of household time. Although a woman's home time decreases as her wage goes up, this effect is less pronounced as her wage is higher. Furthermore, the time devoted to those household activities where no credible threats exist (such as those involving care) are less elastic to an increase in the relative female wage.

JEL classification: D13, J0, J1, J2, Z13.

A Wage Premium or Penalty: Marriage Migration and Intermarriage Effects Among the Children of Immigrants?

Aycan Çelikaksoy, CIM, SFI and Aarhus School of Business

Abstract: In the existing literature, the link between economic assimilation of immigrants and wage differentials due to marital status is weak at best. Most of the literature analyzing labour market integration of immigrants disregard family's role in the assimilation process, whereas the literature on marital wage differentials mainly concentrate on white native males. In most countries Non-Western immigrants have lower employment and wage rates than the natives and their economic assimilation is a crucial issue. However, the economic fate of the children of immigrants in West European countries is yet to be decided. How these young immigrants sort themselves into household units through marriage may have very important implications for the integration of the current generation and their descendents. Since most societies face an increase of immigrants whose legal permit to enter the respective country is through marriage, the importance of the issue of marriage migration and its effect on the young immigrants in the destination countries is increasing. In the case of marriage to a native, most of the sociological literature denotes interethnic marriage as the final stage of immigrant assimilation. However, the direction of causality is an empirical question. This article analyses the relationship between spouse type and economic assimilation for the children of guest worker immigrants in Denmark with regard to employment and wage, using panel register data for the years 1984-2001. For both males and females, we find a large marriage premium for having a native spouse on immigrant wages even after controlling for selection into employment and endogeneity of spouse type. The results also indicate that, for males, there is a marriage penalty for bringing their spouse from their country of origin as opposed to staying single.

Far Above Rubies: The Association between Bride Price and Extramarital Liaisons in Uganda

David Bishai, John Hopkins University Bloomberg School of Public Health, and Shoshana Grossbard, San Diego Satet University

Abstract: To examine the determinants of bride price and the impact of bride price on marital behavior in Uganda. A survey on HIV related attitudes and behavior was conducted in 1215 households in Uganda in early 2001. Women were asked to state the value of the money or items and the date of completion of payoff. We modeled the determinants of whether or not a woman reported having boyfriends or lovers other than her spouse. Of 839 married women interviewed, 592 agreed to complete the marital behavior module of the survey. Bride prices were paid for 406 and were not paid for 188 of the married women. The principal determinants of having any bride price were urban residence (O.R. 0.23 p<0.01) and current age (in decades) (O.R. 1.26 p=.067). Controlling for rural residence, woman's schooling did not predict the presence of a bride price. Among women who had a bride price, the bride price magnitudes were larger in households that owned more land. Finally controlling for rural residence, current age, current income, and highest grade completed, we found that having had a bride price lowered the wife's odds of sexual intercourse with a partner other than the spouse (O.R. 0.188 p=.024) and increased the husband's odds of non-spousal sexual intercourse (O.R. 2.137 p=0.053). Men may be substituting cash payments for their own fidelity in securing wives who provide marital fidelity.
Keywords: Marriage, sexual behavior, bride price.

PARALLEL SESSION E5: LABOUR MARKETS II

Wages, Experience and Tenure: Evidence from Displaced Workers

Giovanni Sulisy, University of Essex, University of Cagliari and CRENoS

Abstract: This paper provides estimates of the average returns to total labour market experience, industry- and firm-specific tenure for a sample of young Italian workers. Using INPS data from Admistrative Archives, we use IV techniques to deal with endogeneity and selection problems in estimating average returns to general and specific skills. Results indicate that blue collars have flatter wage-experience profiles than white collars. Returns to sector- and firm-tenure are also higher for white collars. Higher returns to tenure indicate that more productive individuals have incentive to move and match with better firms.
Keywords: Wages, experience, seniority, sector tenure, search, matching, human capital.
JEL classification: J31, J41.

On-the-job Search, Productivity Shocks, and the Individual Earnings Process

Fabien Postel-Vinay, PSE, CREST-INSEE, and University of Bristol, and *Hélène Turon*, University of Bristol

Abstract: Individual labor earnings observed in worker panel data have complex, highly persistent dynamics. We investigate the capacity of a structural job search model with i.i.d. productivity shocks to replicate salient properties of these dynamics, such as the covariance structure of earnings, the evolution of individual earnings mean and variance with the duration of uninterrupted employment, or the distribution of year-to-year earnings changes. Specifically, we show within an otherwise standard job search model how the combined assumptions of on-the-job search and wage renegotiation by mutual consent act as a quantitatively plausible "internal propagation mechanism" of i.i.d. productivity shocks into persistent wage shocks. The model suggests that wage dynamics should be thought of as the outcome

of a specific acceptance/rejection scheme of i.i.d. productivity shocks. This offers an alternative to the conventional linear ARMA-type approach to modelling earnings dynamics. Structural estimation of our model on a 10-year panel of highly educated British workers shows that our simple framework produces a dynamic earnings structure which is remarkably consistent with the data.

Keywords: Job search, individual shocks, structural estimation, covariance structure of earnings.
JEL classification: J41, J31.

Multiple-Job-Holding in Africa: The Case of Tanzania

Theis Theisen, Agder University College

Abstract: In a sample of Tanzanian formal sector workers the vast majority has a desire for working longer hours in their main job, and supplement earnings through participation in informal production. Determinants of participation in informal production are examined through estimation of structural-form Logit models. A new way around the problem of measuring incomes from informal production is suggested and evaluated. The results show that participation in informal production is inversely related to income, and positively related to age. Age seems to play a very different role in the transition from work to retirement in Tanzania compared to industrialised countries.

Keywords: Multiple-job-holding, home production, informal sector, participation, labour supply.
JEL classification: D13; J22.

The Impact of International Outsourcing on Individual Employment Security: A Micro-Level Analysis

Ingo Geishecker, University of Goettingen and Center for Dev. Research, Bonn

Abstract: The paper analyses how international outsourcing affected individual employment security in German manufacturing industries between 1991 and 2000. The analysis is carried out at the micro-level, combining monthly spell data from the German Socio-Economic Panel and industry-level outsourcing measures. By utilizing micro-level data, problems such as aggregation and potential endogeneity bias, as well as crude skill approximations that regularly hamper industry level displacement studies, can be reduced considerably. The main finding is that international outsourcing significantly lowers individual employment security. Interestingly, the effect does not differ between high-, medium-, and low-skilled workers. With regard to the observed skill upgrading and high relative unemployment rate of low-skilled workers in Germany the impact of international outsourcing is therefore not related to skill biased displacement but to reduced chances for reentering employment.

Keywords: International outsourcing, employment security, duration analysis.
JEL classification: F16, F23. J63, J23.

PARALLEL SESSION E6: TOPICS IN HEALTH ECONOMICS I

Intergenerational Health Correlations: Is It Genes or Is It Income?

Ana Llena-Nozal, Maarten Lindeboom and Bas van der Klaauw, Dept. of Economics and Business Administration, Free University of Amsterdam & Tinbergen Institute

Abstract: This paper investigates how much of health is transmitted across generations through genetics and how much through behavior and socio-economic status (SES). Low SES children start adulthood with lower education and health and this may constrain their economic position in adulthood. The intergenerational correlation of income may be linked to health but it is not clear what mechanisms are driving this. Low SES parents may face financial constraints that lower parental investment, they may have lower parenting skills, or they may have worse health outcomes that constraint economic opportunities and these may be transmitted across generations. Both unobserved heterogeneity and parental health need to be accounted for in order to disentangle the correlation. We use a cohort study, the National Child Development Study, which follows individuals since their birth in 1958 until their 40s. We exploit the

richness of the data and incorporate information on twins, adoptees and the cohort members' own children to disentangle the nature and nurture components. Our findings suggest that parental income significantly reduces the risk of ill health in children. Individuals not having a natural father are more prone to poor health but experience a similar mitigating impact of income. Income appears to no longer be significant when we control for parental health and time investment. On the other hand, when financial difficulties are used to measure poverty, the effects persist, even after controlling for individual unobserved heterogeneity.

Social Networks, Information and Health Care Utilization: Evidence from Undocumented Immigrants in Milan

Carlo Devillanova, IEP, Università Bocconi

Abstract: This paper uses a novel dataset and research design to examine the effects of immigrants' social networks on their access to health care. The dataset consists of an unusually large sample of undocumented immigrants and contains a direct indicator of information networks - whether an immigrant knew about health care opportunities from a strong social tie (relative or friend). This measure allows me to overcome some of the major identification issues that afflict most of the existing literature on network effects. The analysis focuses on the time spent in Italy before an immigrant first receives medical assistance. Estimates indicate that networks significantly foster health care utilization: after controlling for all available individual and ethnic characteristics, I find that relying on a strong social tie reduces the time to visit by 30%. I argue that this represents a lower bound estimate of the information effect of social contacts in the sample. Further investigation seems to confirm the quantitative importance of networks as an information device.
Keywords: Network effects, undocumented immigrants, health utilization.
JEL classification: Z13, J15, I12.

Down (Under) in the Dumps: Incidence and Impact of Clinical Depression in Australia

John P. Haisken-DeNew, RWI Essen

Abstract: In most western cultures, the incidence of clinical depression is a difficult social issue to deal with. As the causes for depression are often difficult to identify, an empirical analysis with rich family and job information will allow more insight into this complex issue. Using three waves of the Australian household panel survey HILDA, detailed information concerning not only overall life satisfaction but also depression is employed to identify the incidence and determinants of depression in Australia. The HILDA identifies symptoms of clinical depression separate from life satisfaction, allowing one to quantify the association between the two measures of well-being. In addition to standard controls, this paper examines triggers of depression, such as shocks to oneself or family members with respect to income, labour market status (firing, promotion), health (injury, death), and family status (i.e. separation, divorce, birth). Due to the panel nature of the micro data, a clear separation of individual unobserved heterogeneity and exogenous variables in the model can be made. This analysis identifies financial worsening, marital separation, death of spouse or child, being a victim of crime or violence as being the significant triggers for depression. Depression itself, as defined by being in the lowest 5% of the mental health distribution greatly reduces life satisfaction by as much as 0.5%-points on 0 to 10 scale. This is equivalent to negating any positive benefit of marriage on life satisfaction.
Keywords: Incidence of mental illness, clinical depression, life satisfaction.
JEL classification: I12, I31, J12.

Children, Mother and Father Time Management and Perception of Stress: Families in a Rush

Elsa Fontainha, ISEG, Technical University of Lisbon, Portugal

Abstract: The aim of the research is to study the effects of family environment on individual stress. Special attention is given to two-parent families with at least one child aged under 15, divided into two groups, until 6 and between 6 and 14. Using Portuguese Time Use Survey data models of stress are tested. The descriptive analysis show that: parents inquired never or rarely had time to do whatever they want to do, stress affects more mothers than fathers and affects more the employed mothers than the non-employed mother, mothers' feeling of lack of time in usually during week end, time pressure in professional life is higher concerning fathers than mothers, children age seems not to have a large effect on fathers' stress, however is stronger among the mothers of older children. The predictions of stress resulting from the estimated logit and probit models confirm the differences by gender and by children age. The results also indicate the importance of educational level on the perception of the stress. Total time of work, paid and unpaid is one of the fundamental stressors. Alternatively, short personal time induces stress and social reduces it. Considering all the population and only the family adopted as reference - couple with a child - in general only two phenomena, education and total time of work predict well about 70% of the occurrences.

PARALLEL SESSION E7: MIGRATION FLOWS

Migration Dynamics of Immigrants: Who Leaves, Who Returns and How Quick?

Govert Bijwaard, Erasmus University Rotterdam

Abstract: In this paper we analyze the demographic factors that influence the return and repeated migration of immigrants. Using longitudinal data from Statistics Netherlands we track migration histories of recent immigrants to The Netherlands and analyze which migrants will stay in the country, which migrants are more prone to leave and how quick they eave. In order to identify these migrants we apply a mover-stayer duration model on the time spent in the country. We also analyze the return from abroad to The Netherlands of these migrants. Results disclose differences among migrants by migration motive and by country of origin and lend support to our analytical framework. Combining the model for departure from the country and the model for returning to the country provides the long-run stay probability of a specific migrant. It also yields a framework for simulating the life-cycle migration dynamics. The major findings are: (1) labor migrants and students are more prone to leave and migrants who come for family reasons remain in the country more often, (2) migrants from the 'guestworker' countries, Turkey and Morocco, will stay in the country more often than migrants from Western countries.

Self-selection and the Returns to Geographic Mobility: What Can Be Learned from the German Unification "Experiment"

Anzelika Zaiceva, European University Institute

Abstract: This paper estimates the returns to German East-West migration and commuting, exploiting the structure of centrally planned economies for identification. It employs programme evaluation techniques and calculates the effects of treatment (geographic mobility) on the treated (movers) after estimating parametric and non-parametric sample selection models. Further, local average treatment effects for the subpopulation of compliers are estimated. Estimation results suggest no positive self-selection on unobservables for migrants, and some evidence of positive self-selection for commuters. The migration premium is insignificantly different from zero. The returns for commuters equal to four percent of the mean of the total income, and the local average treatment effect for compliers is insignificant. Based on these results, moving West does not appear to be a highly rewarded option, and is an important part of the explanation of the sluggish East-West migration in Germany.

Fiscal Policy and Migration Flows: Evidence from the European Union

Socrates Karidis, and *Michael A. Quinn*, Bentley University

Abstract: The focus of this paper is the impact of fiscal policies on international migration flows. The Tiebout hypothesis proposes that individuals consider differences in tax rates and social spending when making migration decisions. While evidence of the Tiebout hypothesis has been found in several domestic U.S. and Canadian studies, this is the first paper to test the Tiebout hypothesis using bilateral international migration flows. The Maastricht treaty has created a unique opportunity to study migration in an international context by removing legal barriers to migration within the European Union. Using data from EU countries throughout the 1980s and 1990s, this paper finds significant statistical support for the Tiebout hypothesis with regards to international migration flows. These results suggest that achieving greater fiscal harmonization across countries would lower migration flows. The results also imply that EU countries which are resistant to achieving fiscal harmonization with members may, as a result, have problems in attaining their other goal of reducing immigration (inward) from these countries.
Keywords: Migration, European Union, fiscal, Tiebout.
JEL classification: F2, H8, F1.

Growth and Skilled Migrations

Matteo Bugamelli and Daniela Marconi, Bank of Italy, Research Department

Abstract: The new literature on international migration has proposed theoretical models where migrations of skilled workers can have beneficial effects on the country of origin ("brain gain"). The main two channels for such effects are the greater incentives to acquire education and technology transfer. Due to limited data availability, these questions have been largely unexplored so far, at the empirical level. Recently, Beine et al. (2003) and Mariani (2004) show that the education channel is indeed at work. This paper focuses instead on the technology transfer channel, by controlling for the level of education that the chances to migrate might have determined. We find a positive and significant effect of migration of highly skilled workers on per worker GDP growth in the country of origin. This result is not specific to poor or small countries or again to countries with exceptionally high migration rates. We then try to identify the mechanism behind the growth-enhancing technology transfer. Our very preliminary exercises show that the positive effect of skilled migrations has a lot to do with foreign direct investment inflows, that are widely recognized as a quite important vehicle for technology transfer. This result interestingly complements recent evidence by Kluger and Rapoport (2005) on the positive effects of skilled migration on FDI flows.

PARALLEL SESSION E8: CONSEQUENCES OF IMMIGRATION AND NATURALIZATION LAWS

Immigration Policy and Self-Selecting Migrants

Milo Bianchi, Stockholm School of Economics and MIT

Abstract: We develop a simple model of self-selection into migration and immigration policy formation. We explore how immigrants' skill composition ("quality") respond to immigration restrictions and how this effect may be crucial also for understanding the formation of policy in the receiving country. A restrictive policy not only reduces the size of migration, but, given that its marginal effect is greater on those with less incentive and fewer resources to migrate, it also influences immigrant quality. Hence, a trade-off between a size effect and a quality effect may arise: encouraging immigration when it is high skilled, or equivalently restricting when it is low skilled, may decrease its quality. When the latter effect becomes predominant, natives may prefer a more (less) restrictive policy even though immigrants complement (compete with) them. Finally, this trade-off implies also that the relation between immigration restrictions and natives' welfare may be non-monotonous.

Entry Barriers and Cultural Assimilation: is Anything Wrong?

Giuseppe Russo, DISES, University of Salerno, and PSE, Paris

Abstract: We study the migration and return decision in presence of heterogeneity in preferences for home consumption, when both the stability of the origin country and the possibility to recover abroad are uncertain. We use our model to evaluate the impact of frontier closure on inflows and outflows of migrants. Then, we address the problem of immigrants' assimilation: as long as assimilation is an intergenerational process, immigration policies have a very long-lasting effect. We show that, since restrictive policies incentivate permanent migration -thus reproduction abroad- there exist a trade-off between less immigration today and more assimilation needed in the future. This problem is more serious the more difficult it is to assimilate the immigrants' culture. Since concerns for cultural homogeneity are an important cause of closed-door policies, our findings cast some doubts over the effectiveness of such policies in the long run. Moreover, frontier closure affects negatively the flow of remittances towards poor countries.
Keywords: Return migration, enclaves, cultural transmission.
JEL classification: D91, F22.

Determinants and Effects of Naturalization. The Role of Dual Citizenship Laws

Francesca Mazzolari, Rutgers University

Abstract: Cross-sectional evidence suggests that naturalized citizens in the United States experience better labor outcomes than non-citizens, including more employment and higher wages. Immigrants who meet the residency requirements for naturalization decide whether or not to apply for citizenship, however, so these findings may be biased by selection effects. This paper proposes to use presumably exogenous variation in naturalization rates among immigrants residing in the United States caused by the fact that some important sending countries (Colombia, the Dominican Republic, Ecuador, Costa Rica, Brazil and Mexico) changed their laws to permit dual citizenship during the 1990s. A utility maximizing framework predicts that, everything else being equal, immigrants coming from a country that has recently allowed dual citizenship should be more likely to naturalize because of the decrease in a major cost of naturalization, specifically the need to forfeit rights in the country of origin. Given that this cost is plausibly not related to unmeasured productivity characteristics, changes in dual citizenship laws are proposed to identify exogenous variation in naturalization in the study of the effects of citizenship on labor outcomes. On data from the 1990 and 2000 censuses, I find a statistically significant effect of allowing dual citizenship on the probability of naturalization in regressions that include controls for other factors (such as welfare reform) that changed the incentives to naturalize over the 1990s. The paper goes on to present how several measures of labor market success are related to citizenship after it is purged of selection effects.

Legal Status at Entry, Economic Performance, and Self-employment Proclivity: A Bi-national Study of Immigrants

Amelie Constant, IZA, Bonn, and *Klaus F. Zimmermann*, IZA, DIW Berlin and Bonn University

Abstract: There are concerns about the attachment of immigrants to the labor force, and the potential policy responses. This paper uses a bi-national survey on immigrant performance to investigate the sorting of individuals into full-time paid-employment and entrepreneurship and their economic success. Particular attention is paid to the role of legal status at entry in the host country (worker, refugee, and family reunification), ethnic networks, enclaves and other differences among ethnicities for their integration in the labor market. Since the focus is on the understanding of the self-employment decision, a two-stage structural probit model is employed that determines the willingness to work full-time (against part-time

employment and not working), and the choice between full-time paid work and self-employment. The choices are determined by the reservation wage for full-time work, and the perceived earnings from working in paid-employment and as entrepreneur, among other factors. Accounting for sample selectivity, the paper provides regressions explaining reservation wages, and actual earnings for paid-employment and self-employment, which provide the basis for such an analysis. The structural probit models suggest that the expected earnings differentials from working and reservation wages and for self-employment and paid-employment earnings matter much, although only among a number of other determinants. For Germany, legal status at entry is important; former refugees and those migrants who arrive through family reunification are less likely to work full-time; refugees are also less self-employed. Those who came through the employment channel are more likely to be in full-time paid work. In Denmark, however, the status at entry variables do not play any significant role. This suggests that the Danish immigrant selection system is ineffective.

Keywords: Self-employment, entrepreneurship, ethnicity, migration, asylum seekers, refugees, migrant workers, family reunification, citizenship , discrimination.

JEL classification: C25; F22; J15; J23; J31; J61; J82.

Friday 23rd, 16.00-18.00
PARALLEL SESSION F1: CONSUMPTION CHOICES

Household Consumption Choices with Several Decision Makers

Anyck Dauphin, Université du Québec en Outaouais, Abdel-Rahmen El Lahga, Institut Supérieur de Gestion de Tunis, Bernard Fortin, Département d'économique, Université Laval, and *Guy Lacroix*, Département d'économique, Université Laval

Abstract: A new theoretical framework has recently emerged for analyzing the behavior of households with two spouses. This approach, known as the collective model, assumes that each spouse has individual preferences and that households' outcomes are Pareto efficient. However, the empirical work on collective models that has been performed to date has principally focused on households with two decision makers and ignored the behavior of those with a potentially larger number (e.g. couples living with adult children or with the elderly in developed countries, extended families in developing countries). The goal of this article is twofold: First, we summarize the main tests having been proposed to empirically verify the restrictions of the collective model in this context. We also suggest a test that proves equivalent to another test found in the literature, but that can be easier to implement in some instances. Second, we test a collective model with multiple decision makers using micro-data from a British Survey. The sample used in the estimations includes couples with one child over 16 years old. Our results reject the collective model for one or two decision makers, but not for three decision makers.
Keywords: Intrahousehold choices, group decision making, collective model, demand analysis, Pareto efficiency, rank tests.
JEL classification: D11, D12, D70.

Within-Household Comparisons Using Subjective Data in a Collective Model

Ekaterina Kalugina, Centre d'Economie de la Sorbonne, University of Paris 1 Panthéon-Sorbonne, CNRS and HCE, Moscow, Natalia Radtchenko, Centre d'Economie de la Sorbonne, University of Paris 1 Panthéon-Sorbonne, CNRS, and Catherine Sofer, Centre d'Economie de la Sorbonne, University of Paris 1 Panthéon-Sorbonne, CNRS

Abstract: We propose a method of application of the collective model to the analysis of intra-household inequality using self reported satisfaction scales. We propose to interpret intra-household equality as an equal distribution of utility between the household members. Starting with a collective model including household production under the assumption of marketable domestic goods, we look at the links between reported satisfaction levels and the theoretical results of the collective model. Then using the results obtained with couples who report the same level of satisfaction, interpreting this as an equal distribution of utility, we derive the constant of the sharing rule for the whole sample: we thus propose a new method for deriving, not only the derivatives, but the sharing rule itself. The results are compared with these obtained by equal income sharing approach ("Using Self-reported Income in a Collective Model: Within-Household Income Comparisons", Kalugina, Radtchenko, Sofer, 2005) when intra-household equality is interpreted as an equal distribution of the whole resources between the members of the household. The resources taken into account are labour and non-labour incomes and household production output.
Keywords: Collective model, within-household income comparisons, subjective data, Russia, sharing rule.
JEL classification: D1, J22, C3.

The Mismatch between Employment and Child Care in Italy: The Impact of Rationing

Daniela Del Boca, University of Turin, CHILD and IZA, Daniela Vuri, University of Florence, CHILD and IZA

Abstract: In Italy the participation of women has not increased very much in the last few decades relative to other developed countries and it is still among the lowest in Europe. The female employment rate

stands almost 13 percentage points below the EU average and 22 below the Lisbon target. One of the most important reasons is related to the characteristics of child care system. In this paper we analyze the characteristics of the child care system in Italy and its relationship to the labor market participation decision of mothers. We present a simple discrete choice framework in which the two decisions can be jointly considered, which also allows for simple forms of rationing. We go on to estimate a bivariate probit model of the child care and employment decisions and interpret the results within the framework of our model. We find evidence that rationing is an important factor in interpreting price effects on utilization rates and employment decisions.

Keywords: Labor market decisions, fertility, child care.
JEL classification: J2, C3, D1.

PARALLEL SESSION F2: TOPICS IN INTERGENERATIONAL TRANSMISSION

The Intergenerational Transmission of Preferences

Thomas Dohmen, IZA, Bonn, Armin Falk, IZA, Bonn and University of Bonn, David Huffman, IZA, Bonn, and *Uwe Sunde*, IZA, Bonn and University of Bonn

Abstract: Economists have traditionally been interested in the correlation between economic success of parents and children, as a measure of the lack of income mobility, or equality of opportunity in a society. A low correlation, or high mobility, is generally deemed desirable given that it provides individuals with the right incentives to strive for success. By and large, the intergenerational correlation of outcomes such as income, wealth, and educational attainment has been found to be substantial. Less is know about the source, or mechanism behind this correlation. This paper provides some of the first direct evidence that both risk and social preferences are transmitted from parents to children. We use data from the 2004 wave of the German Socio-Economic Panel, which contains self-reported, experimentally-validated measures of social and risk preferences. To the extent that risk and social preferences are important determinants of economic outcomes, our findings provide support for the preference transmission mechanism discussed in the literature. We find a strong and systematic correlation in risk preferences and social preferences between parents and offspring. The effects of fathers' and mothers' preferences on children's preferences are quantitatively almost identical. Potential confounds can be ruled out by controlling for a wide range of demographic characteristics. The investigation of different samples stratified by habitation status with parents shows that the correlation is weaker for children who do not live with their parents. The correlation does not disappear later on in life, however, indicating a lasting role of parents on children's preferences.
Keywords: Risk preferences, social preferences, intergenerational transmission, GSOEP.
JEL classification: D0, D1 D80, C9, J16, J24, J61, I1.

Intergenerational Risk Sharing by Means of Pay-As-You-Go Programs - An Investigation of Alternative Mechanisms

Øystein Thøgersen, Dept. of Economics, Norwegian School of Economics and Business Administration, and CES-ifo

Abstract: A pay-as-you-go (paygo) pension program may provide intergenerational pooling of risks to individuals' labor and capital income over the life cycle. By means of illuminating closed form solutions we demonstrate that the magnitude of the optimal paygo program and the nature of the underlying risk sharing effects are very sensitive to the chosen combination of risk concepts and stochastic specification of long run aggregate wage income growth. In an additive way we distinguish between the pooling of wage and capital risks within periods and two different intertemporal risk sharing mechanisms. For realistic parameter values, the magnitude of the optimal paygo program is largest when individual in any generation is considered from a pre-birth perspective, i.e. a "rawlsian risk sharing" perspective is adopted, and wage shocks are not permanent.
Keywords: Social security, risk sharing, portfolio choice, persistence in income shocks.

Nature and Nurture in the Intergenerational Transmission of Socioeconomic Status: Evidence from Swedish Children and Their Biological and Rearing Parents

Anders Björklund, Swedish Institute for Social Research, Stockholm University, Markus Jäntti, Åbo Akademi University, Finland, and Gary Solon, University of Michigan, USA

Abstract: We exploit unique Swedish administrative register data to estimate intergenerational models for sons and daughters who have grown up in different family types. A population register provides information about biological and adoptive parents. Census data provide information about rearing parents, who might or might not be the biological or adoptive parents. By means of these two data sources, we define six family types according to who were the rearing parents: 1. Biological father and mother. 2. Biological mother, no stepfather. 3. Biological mother, stepfather. 4. Biological father, no stepmother. 5. Biological father, stepmother. 6. Adoptive mother and father. In the first part, we estimate intergenerational models for these six family types. These models include simultaneously biological, adoptive and rearing parents' years of education as explanatory variables. We use log earnings and years of education for offspring as dependent variables, and estimate separate models for sons and daughters. For each specification, we get 16 intergenerational transmission coefficients for the six family types. In the second part, we address the question whether these 16 coefficients fit a unified and simplified model containing only 10 parameters representing the impact of biological parents (nature) and rearing parents (nurture). We apply minimum distance estimation to fit the 10-parameter model from the 16 regression coefficients and test the model's goodness of fit. Our study has the potential to (1) generate robust estimates of nature and nurture in influencing socio-economic status and (2) unify several till-now-separate literatures on parental influences, including the literature on intergenerational mobility in general, on adoptees and on absent fathers and mothers.

Love and Money: Intergenerational Mobility and Marital Matching on Parental Income

Jo Blanden, University of Surrey

Abstract: This paper investigates the interactions between intergenerational mobility and marital matching for young couples in Canada. We show how assortative mating contributes to intergenerational household income persistence. The strength of the association between sons-in-law's income and women's parental income means that the intergenerational link between household incomes is stronger than that found for daughters' own incomes alone. This is also the case when viewed from the other side, so that daughters' and their partners' earnings are related to partners' parental income. These results indicate that assortative matching magnifies individual-level intergenerational persistence. In the second part of the paper we consider assortative mating by parental income. We find that daughter's parental income has an elasticity of almost 0.2 with respect to her partner's parental income. This association is of approximately the same magnitude as the intergenerational link between parents' and children's incomes. We investigate variations in the correlation between the parental incomes across several measured dimensions; cohabiting couples have lower correlations, as do those who form partnerships early, those who live in rural areas and most interestingly, those who later divorce. We interpret this last result as evidence that, on average, couples with parental incomes that are more similar enjoy a more stable match.
Keywords: Intergenerational mobility, marriage, family income.
JEL classification: J12, J62.

PARALLEL SESSION F3: FAMILY STRUCTURE AND EDUCATIONAL OUTCOMES

Childhood Family Structure and Schooling Outcomes: Evidence for Germany

Marco Francesconi, Dept. of Economics, University of Essex, *Stephen P. Jenkins*, ISER, University of Essex, and DIW Berlin, and Thomas Siedler, ISER, University of Essex, and DIW Berlin

Abstract: We analyse the impact on schooling outcomes of growing up in a family headed by a single mother. Growing up in a non-intact family in Germany is associated with worse outcomes in models that do not control for possible correlations between common unobserved determinants of family structure and educational performance. But once endogeneity is accounted for, whether by using sibling-difference estimators or two types of instrumental variable estimator, the evidence that family structure affects schooling outcomes is much less conclusive. Although almost all the point estimates indicate that non-intactness has an adverse effect on schooling outcomes, confidence intervals are large and span zero.
Keywords: Childhood family structure, lone parenthood, educational success, sibling differences, instrumental variables, treatment effects.
JEL classification: C23, D13, I21, J12, J13.

Birth Order, Family Size and Educational Attainment

Monique de Haan, University of Amsterdam

Abstract: This paper investigates the effect of sibship size and birth order on educational attainment, for the United States and the Netherlands. An instrumental variables approach is used to identify the effect of sibship size. Instruments for the number of children are twins at last birth and the sex mix of the first two children. The effect of birth order is identified, by examining the relation with years of education for different family sizes separately; this avoids the problem that estimated effects confound birth order with family size. No significant effect of the number of children on educational attainment of the oldest child is found. Birth order has a significant negative effect. This negative effect does not differ between children from higher or lower educated parents. Also the age gap between children does not affect the effect of birth order, or the educational attainments of the children. These last two results suggest that competition between siblings for scarce parental time and resources is not an important cause of the birth order effects.

Child Support and Educational Outcomes - Evidence from the British Household Panel Survey

Ian Walker, University of Warwick and Institute for Fiscal Studies, and *Yu Zhu*, University of Kent and Centre for the Economics of Education

Abstract: It is widely accepted that Child support (CS) has played a positive role in reducing child poverty among non-intact families. But little research has been done on the role of CS on the real educational outcomes of the children concerned. Using a sample of dependent children under 16 in non-intact families whose real educational outcomes are observable from the British Household Panel Survey (BHPS), we find that CS received has an effect which is about 20 times as large as that of other total household net income for two key educational outcomes, namely school leaving at the age of 16 and attaining 5 or more GCSEs. This result is robust with respect to adding controls for characteristics of the child and the custodial mother. Moreover, allowing for endogeneity of separation arising from the 1993 CS reform and non-random attrition of absent fathers makes little difference to the strong effect of CS received on both outcomes. We then instrument current CS receipt using among other things, lagged CS entitlement, exploiting the reform of CS in 1993 which introduced complex rules that determined CS liabilities, on a subsample of children whose non-custodial fathers can be matched, to investigate the causality of the relationship. We find that the strong CS effect found in probit models does not carry through to the IV modelling. This strongly suggests that the apparent simple correlation between CS and children's educational outcomes is driven by selection by some important unobservables that are associated with CS compliance/payment.
Keywords: Parental separation, parental incomes, child support, real educational outcomes, non-random attrition and endogeneity.

PARALLEL SESSION F4: MARITAL STATUS

Marriage Markets and Marital Status of South African Mothers

Siv Gustafsson and *Seble Worku*, University of Amsterdam, Dept. of Economics and Tinbergen Institute

Abstract: This paper studies the effects of local marriage markets in the South African women's marital decisions. The analysis is motivated by the low proportion of marriages among African South Africans and in particular among those with at least one child. Marriage market indicators have been defined at district levels as availability of economically attractive marriageable men. The analysis is done among women aged 20 to 40 who have already given birth to their first child based on South African census 2001 data. An ordered probit model is fitted with the different marital type ranked from less desirable (never married) to more attractive (married civil). African women enter civil marriages at a lesser rate than White women. The estimation results also suggest that both the quantity and quality of the marriage market matter in women marital choice. Options that are available for women besides marriage make them to be more selective in their choice of spouse and type of marriage.
Keywords: Marriage market, sex ratio, marriageable men, ordered probit, African, White.
JEL classification: D1, J1.

The Effect of Being Widowed on Housing and Location Choices

Carole Bonnet, INED, Laurent Gobillon, INED, and Anne Laferrère, INSEE

Abstract: In this paper, we propose a two-period model where a woman living in couple experiences widowhood. Her partner's death has an effect on household income, housing cost per capita and preferences. The widow can adjust her housing consumption and place of residence. Downsizing is likely as the housing cost per capita doubles. Widowhood reveals the woman's preferences as she does not have to bargain with her partner anymore when making housing and location choices. In particular, she is likely to relocate closer to her family (especially closer to children) that can provide her with some support. Having children could have another effect. Because of inheritance rules, widows could be compelled to leave their house. Using childless widows as a group control, we try to identify if mobility is linked to preferences or to pressures. We estimate the effect of a transition to widowhood on housing consumption and location using the French Housing Survey (1984-2002). We find that a transition to widowhood exacerbates mobility. Residential moves mostly lead to a decrease in the number of rooms, an inflow in flats, departures from rural area and relocations close to relatives.

Job Loss and Divorce

Sigve Tjøtta and Kjell Vaage, Department of Economics, University of Bergen

Abstract: A job loss represents a negative shock on family income and consumptions. To the degree that a spouse's job loss represents a negative signal about future income capacity and attractiveness as a partner, it may change expected gains from remaining married and, hence, induce divorce. The present paper is an econometric analysis of the effect of job loss on marital stability. However, marital problems may induce job loss as well as job loss may induce divorce. This lack of one-way causality calls for a careful treatment of the endogeneity problem, which is a central part of our study. With a rich longitudinal employer-employee data set for Norway at our hand we are able to identify 50,000 couples that got married in 1988. Using individual plant-ids we monitor their job stability for the period 1988-2002. The spouses loosing their jobs are divided into two groups according to whether they are displaced due to plant closing or they have left a plant that is still running as normal. In both cases we register their labour market status after the transit and calculate their negative earnings shock, but while job displacement due to plant closing is treated as an exogenous event relative to marital stability, the latter is not. Finally, we add a third group, employed during the entire observation period, as our control. Now we are able to calculate the effect of

job loss on divorce, as well as quantifying the effect of endogeneity by comparing the two groups of unemployed.

The Effect of Divorce Laws on Divorce Rates in Europe

Libertad González, Universitat Pompeu Fabra, and Tarja K. Viitanen, University of Sheffield

Abstract: During the past four decades, many legal reforms took place in Europe at the national level, that allowed divorce under mutual consent and "no-fault" grounds or even unilaterally. This raises the question of whether these law changes that tended to "make divorce easier" were at least partially responsible for the widespread increase in divorce rates. We use panel data on 18 European countries from 1950 to 2003 to analyze the effect of changes in divorce laws on divorce rates. We identify this causal relationship by exploiting the variation across countries in the timing and nature of the reforms, and by including country fixed-effects as well as country-specific time trends, in order to control for fixed and trending unobserved factors at the country level that may be related to both divorce laws and divorce rates. We find that the different reforms that "made divorce easier" were followed by significant increases in divorce rates. The effect of no-fault legislation was strong and permanent, while unilateral reforms only had a temporary effect on divorce rates. Overall, we estimate that the legal reforms could account for about 20 percent of the increase in divorce rates in Europe between 1960 and 2002.

PARALLEL SESSION F5: SELF-EMPLOYMENT

Self-employment in Rural Mexico Ten Years after NAFTA

Sindy Agustina González Tijerina, EGAP, ITESMCampus Monterrey, and Héctor J. Villarreal, EGAP, ITESM Campus Monterrey

Abstract: Who are the self-employed in rural Mexico? This paper tries to answer that question with special emphasis on the role of human capital in self-employment decisions. The model presented suggests that the need for leisure/flexibility may have a driving effect once the household framework is considered. Imperfect markets may hinder possible gains of self-employment with particular groups being more vulnerable (e.g. women). Some estimated parameters in this study for propensities to become self-employed and returns to education vary between 1994 and 2004, the first decade of the North American Free Trade Agreement (NAFTA). One of the findings is that getting a job may depend critically on the levels of human capital and the region's location. Being self-employed still may be the best or sole option for a considerable percentage of the population. The latter may suggest that if self-employment in the rural sector is posed as a development strategy, this should come with adequate policy supports.

Dependent Forms of Self-employment in the UK: Identifying Workers on the Border between Employment and Self-employment

René Böheim, Dept. of Economics, Johannes Kepler University Linz, Austria and IZA, Bonn, and *Ulrike Muehlberger*, Dept. of Economics, Vienna University of Economics & B.A.

Abstract: In this paper we use data from the British Labour Force Survey to analyse the characteristics of workers who provide work on the basis of a civil or commercial contract, but who are dependent on or integrated into the firm for which they work. We argue that these workers lose their rights under labour law, receive less favourable benefits from social security protection and are often beyond trade union representation and collective bargaining. In this paper we test two hypotheses: (1) Dependent self-

employed workers are significantly different from both employees and (independent) self-employed individuals, thus forming a distinct group. (2) Dependent self-employed workers have lower labour market skills, less labour market attachment and, thus, less autonomy than self-employed workers. The data support our hypothesis that dependent self-employed workers are a distinct labour market group which differs from both employees and independent self-employed individuals. In comparison to employees, dependent self-employed workers tend to be male, older, married (small effect), Caucasian, with low education and a low job tenure. Our results suggest that dependent forms of self-employment are used by firms to increase labour flexibility.
Keywords: Self-employment, dependency, outsourcing.
JEL classification: K31, J21, J22, L22.

Employees Who Become Self-Employed: Do Labour Income and Wages Have an Impact?

Pernilla Andersson and *Eskil Wadensjö,* Swedish Institute for Social Research, Stockholm University

Abstract: This paper analyzes the self-employment decision among Swedish-born male employees. The main objective of the paper is to investigate the impact of the relation between the actual and the predicted income on the probability to become self-employed. The predicted income is calculated from a standard income regression with controls for age, education, family status, family background and place of residence. By construction of a ratio between the actual and the predicted income we identify three groups of employees: (1) employees who have an actual income lower than the predicted income (underpaid), (2) employees with an actual income close to the predicted one, and (3) employees with an actual income higher than the predicted one (overpaid). The first question is if individuals who are "overpaid" or "underpaid" are more likely to become self-employed than those who are paid as we can expect. Our main finding is that employees who receive an income that differs from the one predicted by the income regression are more likely to become self-employed. We also analyse the effect of the ratio on four different measures of success as self-employed: income from self-employment, number of employees, turnover of the firm, and the probability to have a firm registered as a limited liability company. The general conclusion is that those who performed well as employees are also more successful as self-employed.
Keywords: Self-employment, occupational choice, occupational mobility, labour income and wages.
JEL classification: J23, J24, J30, J62.

The Social Dynamics of Entrepreneurship in a Transition Economy

Michael Bräuninger and *Dragos Radu*, Hamburg Institute of International Economics

Abstract: This paper studies both theoretically and empirically the determinants of entrepreneurial behaviour in a changing social environment. The theoretical setting is based on a multiple-equilibria model with endogenous costs of failure (stigma). Precisely because the case of a transition economy is a quasi-experimental setting pertinent to analyse entrepreneurial activities, the model is then estimated with a large data set on Romania: the National Demographic Survey (2003). The constructed data set allows the identification endogenous (regressed individual outcome on peer-group behaviour) social effects on entrepreneurial decisions. A maximum-likelihood probit model with sample selection is estimated to account for the self-selective nature of the decision timing of nascent-entrepreneurs. The estimated significant social effects support the predictions of the theoretical model. The results imply the presence of negative income premia and of significant non-pecuniary benefits from entrepreneurial activity (prestige).
Keywords: Entrepreneurship, social interaction, transition economy.
JEL classification: J24, R12, M13.

PARALLEL SESSION F6: RISKY BEHAVIOURS

Tobacco and Alcohol: Complements or Substitutes? A Statistical Guinea Pig Approach

Silja Göhlmann and *Harald Tauchmann,* RWI-Essen

Abstract: The question of whether two drugs - namely alcohol and tobacco - are used as complements or substitutes is of crucial interest if side-effects of anti-drug policies are considered. Numerous papers have empirically addressed this issue by estimating demand systems for alcohol and tobacco and subsequently calculating cross-price effects. However, this traditional approach often is seriously hampered by insufficient price-variation observed in survey data. Hence, it seems to be strongly disputable whether the corresponding price-coefficients capture true price effects but not time or regional effects. We, therefore, suggest an alternative instrumental variables approach that statistically mimics an experimental study and does not rely on prices as explanatory variables. Parental smoking and drinking habits are used as instruments for tobacco and alcohol consumption within a simultaneous equations framework. Our econometric model estimates the effects an exogenous change in the consumption of one drug has on the consumption of the other psychoactive substance; i.e. the question is answered of what would happen to the consumption of - say - alcohol if the regulator could manage to reduce smoking by a certain amount. This approach is applied to German survey data. In Germany prices of alcohol and tobacco display only minimal variation over time as well as across regions. Therefore our approach seems to be particularly well suited to the German case. Our estimation results suggest that a reduction in tobacco consumption results in a reduction in alcohol consumption, too. Hence, we conclude that successful anti-smoking policies will not result in the unintended side-effect of an increased (ab)use of alcohol. Yet, this result is statistically firm only for males. For females this effect seems to be much smaller and might even be non-existent.
Keywords: Interdependence in consumption, tobacco and alcohol, instrumental variables approach.
JEL classification: C31, D12, I12.

Chewing the Flower of Paradise: Economic and Social Aspects of Qat use in the Horn of Africa

Sara Borelli, University of Illinois at Chicago and University of Verona

Abstract: The purpose of the following paper is to evaluate the economic and social aspects of drug consumption in an African society. In particular, we investigate the relationship between wages and Qat consumption for the Djiboutian male household head and the social dimension of Qat use by using a system of simultaneous equations with Qat consumption and Wage as endogenous variables. Social interactions have been recognized as an important element in determining behavioral and economic outcomes. The contribution of this paper is to incorporate the presence of peer effects in the analysis of Qat consumption. Our findings suggest that the impact of wage on Qat consumption is positive and significant and that social aspects of Qat consumption play an important role in individual decisions.
Keywords: Qat, Djibouti, time intensive good, social interactions.
JEL classification: I12, D12.

The Effects of Social Interactions on Risky Behaviour by Young People and Its Implications for Health and Human Capital

Kevin Denny, University College of Dublin, and *Ana I. Gil-Lacruz,* Cornell University

Abstract: Social interactions should play a prominent part in economic analysis that aims to contribute to these policies. For example, most people's decision to start consuming alcohol is influenced by others. This paper analyses how adolescents decide their level of alcohol consumption that maximises their utilities taking into account social pressures and the formation of human capital. Our main hypothesises are that peer and parental pressure determines young people's alcohol consumption and both influence their state of health and educational level. We use data from three waves of the Spanish National Survey on Drug Use in the School Population (2000, 2002, 2004). We have only considered those students whose age is between 14 and 18 years old, with a sample size of around 25,000 per wave. We analyse the frequency of (weekly) binge drinking using count data methods. Since the data exhibit excess zeros and over-dispersion we use zero-inflated negative binomial regression. The results show the importance of

friends' drinking behaviour as well as that of the parents (particularly the fathers). Young people from single parent families are less likely to engage in binge drinking indicating the importance of role models. The income effects are positive (binges are a normal good) but the effects are highly non-linear. We then measure the impact of drinking on educational attainment and some health outcomes.
Keywords: Alcohol consumption, health state, educational level, social interactions.

The Abortion-Crime Link: Evidence from England and Wales

Leo H. Kahane, Dept. of Economics, California State University, East Bay, *David Paton*, Nottingham University Business School, and Rob Simmons, Lancaster University Management School

Abstract: We use panel data from 1983 to 1997 for the 42 police force areas in England and Wales to test the hypothesis that legalizing abortion contributes to lower crime rates. We provide an advance on previous work by focusing on the impact of possible endogeneity of effective abortion rates with respect to crime. Our use of U.K. data allows us to exploit regional differences in the provision of local and free abortions to identify abortion rates. When we use a similar model and estimation methodology, we are able to replicate the negative association between abortion rates and reported crime found by Donohue and Levitt for the U.S. However, when we allow for the potential endogeneity of effective abortion rates with respect to crime, we find no clear connection between the two.
Keywords: Abortion, crime, fertility.
JEL classifications: K42, I38, J13.

PARALLEL SESSION F7: ECONOMICS PERFORMANCE OF IMMIGRANTS

Labour Market Performance of First Generation Immigrants and Ethnic Germans Vis-a-Vis Comparable German Natives when Adjusting for Panel Attrition

M. Fertig, RWI-Essen, and *S. Schurer*, Ruhr Graduate School in Economics, Essen, Germany

Abstract: We use longitudinal data over 21 waves of the GSOEP to investigate the labour market performance of first generation immigrants and ethnic Germans who arrived in Germany after 1987 vis-à-vis comparable Germans. Main focus of this paper is to provide an updated picture of earnings and unemployment profiles over time of these groups by testing the assimilation hypothesis proposed by Chiswick and by allowing for cohort effects as suggested by Borjas. The constribution of this paper is twofold: First, we are the first two distinguish between five different immigrants cohorts to control for the possibility of a change in 'quality' among immigrants. Both pooled and fixed effects panel data specifications are considered. Second, we will account for selection bias caused by panel attrition, namely the decision to participate in the interview by both foreigner and German natives and the decision to non-migrate by foreigners only, with selectivity correction terms calculated from bivariate reduced from probit models. We find that significant differences between the different foreigner groups and German natives prevail only for the ethnic Germans and the youngest immigration cohort. The results are robust along a variety of model specifications. Our Heckman correction procedures in the earning equations suggests that our sample is biased towards retaining the 'lower quality' foreigners and the 'higher quality' Germans. After correcting for selection bias in the earnings equation initial disadvantages of all foreigner subgroups relative to German natives decrease, but it also lowers the speed of assimilation for all subgroups. Initial differences in unemployment probabilities remain significant only for ethnic Germans and the youngest cohorts, whereas the former group catches up with comparable Germans, whereas the latter does not..
Keywords: Labour market performance, first generation immigrants, ethnic Germans, panel data models, fixed effects, panel attrition, bivariate probite.

Do Relative Gains to Migration Vary? A Comparison of the Labour Market Performance of Indians in the UK, the USA and India

Augustin de Coulon, Institute of Education, University of London and Centre for Economic Performance, LSE, and *Jonathan Wadsworth*, Royal Holloway College, University of London and Centre for Economic Performance, LSE and IZA, Bonn

Abstract: We compare the labour market performance of immigrants from a single origin country, in two host countries with different migration policies, relative to their (counterfactual) position had they remained in their source country. While most studies of immigration focus on the absolute income differences between countries, we argue that relative gains to migration may also influence the migration decision and that these gains will be influenced by differential relative costs across the skill distribution. Using data on Indian immigrants in the United States and Great Britain matched to comparable data on individuals who remained in India, we show that the average Indian immigrant will experience a fall in their relative ranking in the wage distribution compared to the position they would have achieved had they remained in the origin country. The fall in relative rankings is larger for immigrants to the US than to the UK, and largest of all for those with intermediate skills.
Keywords. Immigration, wages, relative gains.
JEL classification: J6.

Family Migration and Labour Market Outcomes: A Panel Investigation

Harminder Battu, Ada Ma, and Euan Phimister, Department of Economics, King's College University of Aberdeen

Abstract: This paper undertakes a panel investigation of the tied mover hypothesis. Here females in dual career households are more likely to be the trailing spouse. They move at the behest of their partner and in doing so experience a labour market loss. We use the British Household Panel Survey (1991 to 2000) where this allows us to follow individuals through time and enables us to control for unobserved heterogeneity and sample selectivity. Though there is a penalty for moving for females in terms of employment and earnings this is largely transient.
Keywords: Tied movers, unobserved heterogeneity, family migration.
JEL classification: J16, J61.

Home-ownership and Economic Performance of Immigrants in Germany

Mathias Sinning, RWI-Essen

Abstract. This paper analyzes home-ownership disparities between the foreign-born and the native-born population in Germany, utilizing data from the German Socio-Economic Panel for West German households. Particularly, the extent to which the years of residence of immigrant households in Germany affect the probability of owning a house or apartment is investigated. Focusing on home-owners, the paper examines differences in the housing value and domicile size between immigrant and native households. The empirical findings suggest that aging effects rather than the years of residence of immigrant households are responsible for an increase in the home-ownership probability. Additionally, differences in housing values and domicile sizes between native and immigrant households prove to be insignificant by controlling for household-specific characteristics. Despite Germany's fifty year experience with immigration, there are still considerable assimilation gaps prevalent.
Keywords: Home-ownership, international migration, economic performance.
JEL classification: F22, I31, R21.

PARALLEL SESSION F8: HEALTH CARE

Formal Home Health Care, Informal Care, and Family Decision Making

David Byrne, Federal Reserve Board, Michelle S. Goeree, Claremont McKenna College, *Bridget Hiedemann*, Seattle University, and Steven Stern, University of Virginia

Abstract: We use the 1993 wave of the AHEAD data set to estimate a game-theoretic model of families' decisions concerning time spent caring for elderly individuals and financial transfers for home health care. The outcome is a Nash equilibrium where each family member jointly determines his or her consumption, transfers for formal care, and time allocation - informal care, market work, and leisure. We use the estimates to decompose the effects of child characteristics into wage effects, quality of care effects, and burden effects. We also simulate the effects of a broad range of policies of current interest in the United States.
Keywords: Long-term care, empirical game theory.

Maternal Health Care and the Spread of AIDS in Burkina Faso

Eva Deuchert, University of Freiburg

Abstract: To efficiently allocate scarce financial resources for HIV/AIDS prevention it is necessary to understand the relative importance of factors driving the epidemic. It is commonly asserted that heterosexual transmission is the predominant HIV transmission mode Sub Saharan Africa. However, the importance of sexual transmission versus transmission by unsafe medical care is the subject of a controversial debate. The present paper contributes to this discussion by providing evidence for the importance of unsafe injections in spreading HIV in Burkina Faso. Methods: Data is from the 2003 Demographic Health Survey in Burkina Faso. The survey provides information about previous injection history for a sub-sample of women who gave birth in the past 5 years. The impact of receiving tetanus injections during last pregnancy on HIV serostatus is estimated. The problem of reverse causality is addressed by a two stage residual inclusion method (2SRI). Results: Tetanus toxoid injections during last pregnancy are positively associated with a higher risk of HIV infection, which is confirmed by the instrumental variable regression. Conclusions: Unsafe medical care increases the risk of HIV infection in Burkina Faso. Providing training and sterile equipment can greatly improve the quality of health care settings. Furthermore, patients should be informed about the risk of HIV transmission by contaminated injections, so that they can take protective action for themselves when seeking medical care.
Keywords: AIDS, HIV, injections, maternal health care.

Access to Primary Health Care and Health Outcomes: The Relationships between GP Characteristics and Mortality Rates

Arild Aakvik, Department of Economics, University of Bergen, and Tor Helge Holmås, Department of Economics, University of Bergen and Programme for Health Economics in Bergen, HEB

Abstract: This paper analyses the impact of economic conditions and access to primary health care on health outcomes in Norway. Total mortality rates, grouped into four causes of death, were used as proxies for health, and the number of general practitioners (GPs) at the municipality level was used as the proxy for access to primary health care. Dynamic panel data models that allow for time persistence in mortality rates, incorporate municipal fixed effects, and treat both the number and types of GPs in a district as endogenous were estimated using municipality data from 1986 to 2001. We reject the significant relationship between mortality and the number of GPs per capita found in most previous studies. However, there is a significant effect of the composition of GPs, where an increase in the number of contracted GPs reduces mortality rates when compared with GPs employed directly by the municipality.
Keywords: General practitioners (GPs), mortality, endogeneity, municipalities, dynamic panel data models.
JEL classification: I11, I12, I18.

Household Search and Health Insurance Coverage

Matthew Dey, Bureau of Labor Statistics, and *Christopher Flinn*, Dept. of Economics New York University

Abstract: Health insurance in the United States is typically acquired through an employer-sponsored program. It is also the case that in households in which both husbands and wives work health insurance is often only purchased (through their employer) by one of the spouses. Apparently this reflects the fact that health insurance is largely a public (household) good in that most employers who offer health insurance to their employees also include the option to cover spouses and dependent children. We investigate the implications of the "publicness" of health insurance coverage for the labor market careers of spouses. We use a relatively innovative household search framework to address this question. The theoretical innovations in the paper are to extend the standard partial equilibrium labor market search model to a multiple searcher setting with the inclusion of multi-attribute job offers in which some of the attributes are public goods within the household. The model is estimated using data from the Survey of Income and Program Participation (SIPP) using a Method of Simulated Moments (MSM) estimator. We compare our estimates of the marginal willingness to pay for health insurance with those obtained from previous studies using standard instrumental variable techniques, in which issues of household decision-making and labor market dynamics are ignored. We conclude that the IV estimates can provide seriously misleading input to policy-makers concerned with the health care crisis in the United States.

Saturday 24th, 9.00-11.00
PARALLEL SESSION G1: PARENTAL TIME EFFECTS ON CHILD DEVELOPMENT

Does Mothers' Employment Conflict with Child Development? Multilevel Analysis of British Mothers born in 1958

Heather Joshi, Professor Heather Joshi, Centre for Longitudinal Studies, Institute of Education, University of London, and *Georgia Verropoulou*, CLS Research Associate Athens Greece

Abstract: We investigate the hypothesis that employment of mothers of pre-school children has adverse effects on children's subsequent development. The children in our sample are the offspring of women in the 1958 British birth cohort (NCDS). Their cognitive and behavioural scores at various school ages in 1991 are related to their mothers' employment during pre-school years. A multivariate multi-level model allows for unobserved heterogeneity at the child and family level. The model also allows for the possibility that the relationship between mother's employment and child outcomes varies by the pre-school age of the child at mother's employment, and the post school age at which the child is assessed. Controls are included on family demographics, economic circumstances and the mother's educational level; the latter is interacted with employment terms and the age of the child at assessment. As with our earlier work, and those on other British data sets of school aged children (ALSPAC and NCDS first generation) results are mixed and minor, with some positive as well as negative associations. The negative association of employment in the first year of life with reading, also found in the aforementioned data sets, appears to be confined to children aged 8-12 with the least educated mothers. The evidence provides no support for the sleeper effect interpretation of the negative relationships found. Cognitive outcomes have significant associations with other socio-economic variables while behavioural outcomes are mainly related to family structure.

Joint Custody and its Implications for Parental Bargaining: The Case of Austria

Christine Atteneder, Dept. of Economics, Johannes Kepler University Linz, and Martin Halla

Abstract: Many countries have introduced joint custody after divorce to improve the situation of children involved in divorces. We model the bargaining process of parents over custody at divorce and its changes due to this reform. As the bargaining process depends on the legal framework, we build our model so that it fits the Austrian case, for which there are good data available. Nevertheless the model can be easily adapted to other countries. In Austria the introduction of joint custody after divorce took place in 2001. Now the parents can either take sole custody or joint custody, but the child has to be living mainly with one parent. If the parents cannot agree on an arrangement, then the judge assigns sole custody to one parent. We model the process of finding a custody arrangement at divorce as bargaining with alternating offers. Parents are impatient and want to find an agreement for the custody arrangement that is better for both of them than having the judge assign custody. The parents come to a conclusion immediately, but they do not necessarily find an agreement. In some cases one parent opts out and goes to court right away. Whether the parents can find an agreement for the custody arrangement depends on their preferences. Due to the two additional joint custody arrangements it is easier to find an agreement after the reform. Besides the parents often choose a joint custody, but not as often as might be expected. These consequences are confirmed by Austrian data.

The Long Term Effect of Parental Time Use on Children.s Development

Astrid Würtz, Dept. of Economics, Aarhus School of Business

Abstract: This paper develops a structural model which links parental time use to a child's development in a household with two parents and one child. Since the allocation of home time and market work has become more equally distributed within households during the latest decades and since fathers seem to be

an increasingly important part of their children's daily life, this study, opposite of most other studies within the childcare literature, explicitly takes both parents' time spent on childcare into account as well as childcare bought in the market. The parents' optimal labor supply decisions are linked to the child's development, and it is shown that the quality of market provided childcare vs. the quality of parental childcare is crucial for the parents' decisions. The availability of paternal childcare does not seem to affect the mother's labor supply decision, though. Several different policy scenarios are investigated within the model context and, finally, the model's assumptions about childcare quality and substitution between parental childcare and market provided childcare are tested against Danish time use data.

Keywords: Time use, childcare, child development, labor supply.

JEL classi.cation: D13, J2, J3.

Parental Separation and Child Well-Being: An Analysis Incorporating Pre-Separation Conflict

John Rigg, London School of Economics, U. K., and Wendy Sigle-Rushton

Abstract: This paper explores, for younger children, the impact of parental divorce or separation on subsequent cognitive, behavioural and health outcomes. Building on previous theoretical and empirical work which has stressed the importance of taking pre-dissolution family circumstances into account, the present analysis makes use of detailed, prospective data on parental conflict. Using a large and rich sample of almost 8,000 children drawn from the Avon Longitudinal Study of Parents and Children (ALSPAC), we examine whether outcomes at ages four and five are associated with prior parental dissolution and the intensity of parental conflict. The paper contributes to an understanding of family processes by examining the relationship between parental separation and child well-being before and after taking levels of pre-dissolution conflict into account. By considering multiple outcomes and applying the same analytical framework, we can compare associations of parental dissolution and subsequent well-being across multiple dimensions, and examine whether the pattern of relationships differs according to the sex of the child. Finally because we use prospective data collected at multiple points in time, we are able to assess the differences in well-being by the timing of separation as well as the intensity of conflict

PARALLEL SESSION G2: DEMOGRAPHY OF AGING

Macroeconomics Impacts of an Ageing Population in Scotland. A Computable General Equilibrium Analysis

Katerina Lisiankova, Peter McGregor, Nilos Pappas, Kim Swales, Karen Turner, and *Robert Wright*, University of Strathclyde, Glasgow, Scotland

Abstract: This paper combines a multi-period economic Computable General Equilibrium (CGE) modelling framework with a demographic model to analyse the macroeconomic impact of the projected demographic trends in Scotland. Demographic trends are defined by the existing fertility-mortality rates and the level of annual net-migration. We employ a combination of demographic and CGE simulation to track the impact of changes in demographic structure upon macroeconomic variables under different scenarios for annual migration. We find that positive net migration can cancel the expected negative impact upon the labour market of other demographic changes (in terms of pressure on wages and falling employment). However, the required size of the annual net-migration is far higher than current trends. The policy implication suggested by the results is that active policies are needed to attract migrants. We also report results for alternative fertility and mortality assumptions.

The Effects of a Demographic Shock in an OLG Economy with Pay-As-You-Go Pensions and Property Rights on the Environment

Nicolas Bauduin and *Stéphane Lambrecht*, Laboratoire MÉDEE, Faculté des Sciences Économiques et Sociales, Université des Sciences et Technologies de Lille

Abstract: We first analyze an economy in which there are no institutions to carry out environmental policy. We refer to this economy as the business-as-usual (BAU) economy. In the long run, a negative demographic shock increases the households' welfare through higher environmental quality, while lifetime consumptions are unchanged. On the transition, a negative demographic shock permanently and monotonically increases the environmental quality. It sets the individual lifetime income, and thus consumptions, on an inverted-U path. This process is only temporary since long run consumptions remain unchanged. In a second step we introduce property rights on the environment. We assume the existence of a fund which is responsible of selling to the firms the property rights of the households each period. We study the effects of a demographic shock in this economy with property rights. In the long run, a negative demographic shock increases the households' welfare through higher lifetime consumptions while environmental quality is unchanged. On the transition, environmental quality remains unchanged while capital intensity first falls below the pre-shock level and then increase until it reaches the higher post-shock level.

Is There a Social Security Tax Wedge?

Alessandro Cigno, University of Florence, CESifo, CHILD, and IZA

Abstract: A Beveridgean pension scheme invariably introduces a wedge between the wage rate and the marginal take-home pay. A Bis-marckian one can do so only if it is not actuarially fair, or in the presence of credit rationing. Interestingly, if the two possible sources of distortion are present at the same time, they will tend to offset each other. The distortion may even change sign (the agent may work too much). In any case, the same pension contri-bution will discourage labour less if the scheme is Bismarckian, than if it is Beveridgean.

Demographic Change and Public Education Spending A Conflict between Young and Old?

Ueli Grob, University of Bern, and *Stefan C. Wolter*, Swiss Coordination Center for Research in Education, University of Bern, CESifo, IZA

Abstract: Demographic change in industrial countries will influence educational spending in potentially two ways. On the one hand, the decline in the number of school-age children should alleviate the financial pressure. On the other hand, the theoretical/empirical literature has established that the concomitantly increasing proportion of elderly in the population can influence the propensity of politicians to spend on education. Using a panel of the Swiss Cantons for the period from 1990 to 2002, we find that the education system has exhibited little elasticity in adjusting to changes in the school-age population, and that the share of the elderly population has a significantly negative influence on the willingness to spend on public education.
Keywords: Public finance, education finance, demographics, panel estimates, Switzerland.
JEL classification: H72, I22, J18.

PARALLEL SESSION G3: TAX ECONOMICS

Selective Reductions in Labour Taxation: Labour Market Adjustments and Macroeconomic Performace

Anna Batyra, Fonds National de la Recherche Scientifique and IRES, Université Catholique de Louvain, and Henri R. Sneessens, IRES, Université Catholique de Louvain

Abstract: Significant differences in unemployment incidence in Europe have been observed across skill groups, with the least skilled suffering the highest and most persistent unemployment rates. To identify policies alleviating this problem, we study the impact of reductions in employer social security

contributions. We construct a general equilibrium model with three types of heterogeneous workers and firms, matching frictions, wage bargaining and a rigid minimum wage. We find evidence in favour of narrow tax cuts targeted at the minimum wage but we argue that it is most important to account for the effects of such reductions on both job creation and job destruction. The failure to do so may explain the gap between macro- and microeconometric evaluations of such policies in France and Belgium. Policy impact on welfare and inefficiencies induced by job competition, ladder effects and on-the-job search are discussed.

Tax Credits, Income Support and Partnership Decisions

Dan Anderberg, Royal Holloway University of London, CEPR, CESifo and IFS

Abstract: This paper considers the potential impact of welfare benefits on partnership status in the UK. A model is estimated where the probability that a women has a partner depends on individual characteristics, regional effects, year effects and the benefit consequences of having a partner. The benefit consequences of having a partner is modelled for each individual. This involves assigning to each female a likely partner and then comparing the benefits available with and without a partner of that specific type. We find that a £100/week welfare benefit "partnership penalty" reduces the probability of having a partner by about seven percentage points. However, we also show that the average partnership penalty in the aggregate population is small. Finally, we use the model to explore the potential effect of the 1999 WFTC reform on partnership rates. We find that the reform may have had a modest but positive effect on the probability of having a partner among low- and medium educated women.
Keywords: Welfare benefits, tax credits, family structure.
JEL classification: H31, I38, J12.

Tax Avoidance, Endogenous Social Norms, and the Comparison Income Effect

Alessandro Balestrino, University of Pisa, CESifo and ChilD

Abstract: We present a model of income tax avoidance with heterogenous agents, assuming the presence of a comparison income effect and of a psychic cost (disutility) of tax dodging. We analyse the policy preferences of the agents, and identify a median-voter political equilibrium. Paralleling previous results in the optimal taxation literature, we show that the comparison income effect calls for a high degree of progressivity of the income tax; additionally, we find that this tendence is strenghtened by the psychic cost of avoidance. We then investigate the source of the stigma attached to the act of avoidance and find that such stigma is motivated by the desire to make redistribution more effective, and that it is enhanced by the income comparison effect.

Evaluating the Impact of the French Tax Credit Programme, "La Prime Pour L'emploi": A Difference in Differences Model

Elena G. F. Stancanelli, CNRS, Nice and OFCE, Sciences-Po, Paris

Abstract: The French Tax Credit programme was created in 2001. According to government sources, over eight millions taxpayers were paid a tax credit the same year, for a total disbursement of over one thousand millions of euros of public finances. This is the first study that attempts to evaluate the impact of the measure on employment outcomes, based on data posterior to the policy implementation, and using non-experimental evaluation methods. Earlier studies, based on static simulation models concluded for small and positive employment effects for women of age 25-49. We estimate here the effects of the tax credit on the employment rate of women, distinguishing between women with different marital statuses. The data for the analysis are drawn from the French labour force surveys of years 1999 to 2002. The rotating structure of this survey enables us to apply panel data methods to the estimation of the model. We conclude that the programme has an insignificant impact on the employment rate of French women. We do, however, find some evidence of a negative and weakly significant impact for married women.

According to our estimates, the programme would have reduced employment of married women by 20 to 50 thousands jobs in 2002.
Keywords: Policy evaluation, difference-in-differences estimator, labour supply.
JEL classification: C34, I38, J21.

PARALLEL SESSION G4: ETHINC GROUPS AND SKILLED WORKERS

Organisational Change, Absenteeism and Welfare Dependency among Norwegian Nurses

Knut Røed and Elisabeth Fevang, The Ragnar Frisch Centre for Economic Research

Abstract: Based on Norwegian register data, we set up a multivariate mixed proportional hazard model (MPPH) to analyse nurses' pattern of work, sickness absence, non-employment, and social insurance dependency from 1992 to 2000, and how that pattern was affected by workplace characteristics. The model is estimated by means of the non-parametric maximum-likelihood estimator (NPMLE). We find that downsizing processes involve a significant increase in the level of sickness absence among still-employed nurses. They also cause a significant increase in the probability of entering into more long-lasting health-related social insurance dependency, and to pull out of the labour force without benefits.
Keywords: Absenteeism, hazard rate model, NPMLE.
JEL classification: C14, I38, J28.

How General is Specific Human Capital? Using Mobility Patterns to Study Skill Transferability in the Labor Market

Christina Gathmann, Stanford University, and Uta Schoenberg, University of Rochester

Abstract: Previous studies assume that labor market skills are either fully general or specific to the firm. This paper uses patterns in mobility and a wages to analyze the transferability of specific skills across occupations. The empirical analysis combines information on tasks performed in different occupations with a large panel on complete working histories and wages from Germany. Our results demonstrate that labor market skills are partially transferable across occupations. We find that individuals move to occupations with similar task requirements and that the distance of moves declines with time in the labor market. Further, tenure in the last occupation affects current wages, and the effect is stronger if the two occupations are similar. We calculate that task-specific human capital is an important source of individual wage growth, especially for university graduates.

The Substitutability of Labor of Selected Ethnic Groups in the US Labor Market

Martin Kahanec, IZA, Bonn

Abstract: This paper investigates the substitutability of labor of selected ethnic groups in the US labor market. In the generalized Leontief framework, the analysis of US census-based data reveals that labor of non-White ethnic groups is complementary to that of White ethnic group. This finding supports the view that the negative relationship between the relative earnings of an ethnic group and its relative size is a labor market phenomenon. Moreover, it implies that ethnic diversity of labor force has positive effects on aggregate output. While the estimated elasticities of complementarity are relatively small, they are shown to generate significant effects, given the very uneven distribution of ethnic groups across local labor markets, as resulting from long-run migration patterns.
Keywords: Substitutability, elasticity of substitution, ethnic group, labor market.
JEL classification: J15, J24.

The Economics Ethnic Assimilation

Carmel U. Chiswick, Dept. of Economics, University of Illinois at Chicago and IZA

Abstract: Expanding on the concept of ethnic human capital, the paper distinguishes between cultural assimilation compatible with persistent ethnic groups and assimilation through intermarriage and other mechanisms that blur distinctions and lead to the disappearance of ethnic identities. Economic determinants of "successful" and "disadvantaged" group outcomes are shown to be sensitive to the relationship between ethnic and general human capital, especially with regard to externalities in the processes by which they are formed. The role of income transfer regimes tied to ethnic group membership is also considered.

PARALLEL SESSION G5: MIGRANTS AND REMITTANCES

Economic Impact of Migration on a Rural Area in Bangladesh

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Abstract: The main objective of the paper is to analyze the effects of migration on sending countries. The objectives are to analyze the direct and indirect effects of migration on the migrant household income, to measure the opposed effects and to discuss the policy implication of our results. The study is based on a Three Stage Least Squares estimator to determine and measure the net impact of migration on the household income. The empirical study show a negative effect of the loss of labor on the total income. However, this effect is compensate by remittances sent home by migrants. When we decompose the income in three sources of income (farm, self-employed and wage), we find these two opposed effects for the farm income, but no effect of remittances on wage income and only a negative effect of migration for self-employed income earned by the household.
Keywords: Migration, remittances, NEML, Bangladesh.
JEL classification: O15, R23, D13.

Remittances and Public Spending on Education

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Abstract: The aim of the paper is to study the impact of remittances on public education spending in recipient countries. We build a simple theoretical framework where government intervention in education is motivated by the presence of credit constraints. On the one hand, an increase in remittances relaxes liquidity constraints, which implies a shift from public to private spending. On the other hand, remittances may allow households to send children to school rather than to the labor market. This implies an increase in the demand for educational services. In the empirical section we find empirical confirmation of an inverted-U relationship: For small (large) amounts of remittances, an increase in remittances raises (lowers) public education spending.

Remittances, Institutions, and Economic Development

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Abstract: There is considerable debate regarding the relative contribution of international migrants' remittances to sustainable economic development. While the rates and levels of officially recorded remittances to developing countries has increased enormously over the last decade, academic and policy-oriented research has not come to a consensus over whether remittances contribute to longer-term growth by building human and financial capital or degrade growth by creating moral hazard and exerting a 'Dutch disease' style impact on patterns of investment. This paper suggests that contradictory findings have emerged when looking at the remittances-growth link because of an omitted variable bias: specifically,

remittances will be more likely to contribute to longer-term growth when the receiving countries' political and economic policies and institutions create the incentives for financial and business investment and savings from remittances. Policies must favor savings and investment so that, at the margin, household income that exceeds the needs of basic subsistence can be saved or invested (including in human capital).

Return Migration and Saving Behavior of Foreign Workers in Germany

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Abstract: In this paper, I develop a dynamic stochastic model of joint return migration and saving decisions that accounts for uncertainty in future employment and income and estimate this model using a longitudinal dataset on legal immigrants in Germany. The model gives a number of implications about the level, timing and selection of return migration as well as asset accumulation of immigrants according to their country of origin. I also calculate the net lifetime contributions of immigrants to the pension and unemployment insurance systems of the host country. The estimated model is used to determine the impact of a number of counterfactual policy experiments on the return and savings behavior of immigrants as well as on their net contribution to the social security system. These counterfactuals include changes in the unemployment insurance program, payment of bonuses to selected groups to encourage return home, and exchange rate premiums by the source countries. In addition, I assess the impact of counterfactuals in the macroeconomic environment, like changes in wages in Germany and in purchasing power parity between Germany and the source countries.
Keywords: International migration, unemployment insurance, life cycle models and saving, public policy.
JEL classification: J61, D91, J64, J65, J68.