Social Insurance and Occupational Mobility

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Outline

Motivation

- Social insurance provides a cushion for workers.
- Differs across countries, affecting labor market dynamics.
- How can we model this effect?

Research Question

Main Question

How does social insurance effect occpational experimentation?

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Hypothesis

Providing more social insurance allows for riskier occupational choices.

Model

- Build upon Roy (1951) model of occupational choice.
- Add interaction between earnings risk, social insurance, and occupational choice.

Human Capital

Workers have two types of ability:

- Innate
  - occupation specific
  - discovered through work experience

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Workers have two types of ability:

- Innate
  - occupation specific
  - discovered through work experience
- General
  - applicable to all occupations
  - will experience occupation-specific shocks to this human capital

Model Environment

Household:

- Lives for S periods
- endowed one unit of time each period, with no leisure value
- workers dislike risk
- rank levels of consumption c according to a utility function $u(c)$

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Labor Market:

- J occupations, $j = 1, ..., J$
- workers can only work in one occupation at a time, but can switch between periods
- receive wage w_j per unit of human capital

Value Functions

Value of staying in occupation j:

$$V_s(\Omega_s, z, \epsilon, j) = \{u(c) + \beta \int W_{s+1}(\Omega_{s+1}, z', \epsilon', j')dF(\epsilon')\},$$

$$s.t.$$

$$c = T(w_j e^{\theta_j} e^z e^\epsilon)$$

$$z' = z + \epsilon$$

$$\Omega_{s+1} = \Omega_s$$

Value Functions, cont.

Value of switching to occupation j':

$$H_s(\Omega_s, \theta_{j'}, z, \epsilon, j') = \{u(c) + \beta \int W_{s+1}(\Omega_{s+1}, z', \epsilon', j') dF(\epsilon')\},$$

$$s.t.$$

$$c = T(w_{j'} e^{z} e^{\theta'_j} e^{\epsilon'_j} e^{-c(s,\kappa)})$$

$$z' = z + \epsilon'$$

$$\Omega_{s+1} = \{\Omega_s, j', \theta_{j'}\}$$

Data

- Describe your dataset
- Number of observations, variables
- Time period, source

Main Results

example-figure.pdf

Table of Results

Variable	Coef.	Std. Error
X	0.45	0.12
Z	-0.23	0.08

Table: Regression results

Conclusion

- Summarize findings
- Contributions
- Future work

References I