
Literature Report

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Abstract

The External Effects of Black Male Incarceration on Black Females

- Journal of Labor Economics---2011---Stéphane Mechoulan

This article examines how the increase in the incarceration of black men and the sex ratio imbalance it induces shape the behavior of young black women. Combining data from the Bureau of Justice Statistics and the Current Population Survey to match male incarceration rates with individual observations over two decades, I show that black male incarceration lowers the odds of black nonmarital teenage fertility while increasing young black women's school attainment and early employment. These results can account for the sharp bridging of the racial gap over the 1990s for a range of socioeconomic outcomes among females. (c) 2011 by The University of Chicago. All rights reserved.

The Intergenerational Transmission of Employers

- Journal of Labor Economics---2011---Miles Corak, Patrizio Piraino

We find that about 40% of a cohort of young Canadian men have been employed at some time with an employer for which their father also worked, and 6%-9%

have the same employer in adulthood. The intergenerational transmission of employers is positively related to paternal earnings, particularly at the very top of the earnings distribution, and to the presence of self-employment income and the number of employers with which the father has had direct contact. It has an important influence on nonlinear patterns in the intergenerational elasticity of earnings. (c) 2011 by The University of Chicago. All rights reserved.

Attenuation Bias in Measuring the Wage Impact of Immigration

- Journal of Labor Economics---2011---Abdurrahman Aydemir, George Borjas

Although economic theory predicts an inverse relation between relative wages and immigration-induced supply shifts, it has been difficult to document such effects. The weak evidence may be partly due to sampling error in a commonly used measure of the supply shift, the immigrant share of the workforce. After controlling for permanent factors that determine wages in specific labor markets, little variation remains in the immigrant share. We find significant sampling error in this measure of supply shifts in Canadian and U.S. census data. Correcting for the resulting attenuation bias can substantially increase existing estimates of the wage impact of immigration. (c) 2011 by The University of Chicago.

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Displacement, Asymmetric Information, and Heterogeneous Human Capital

- Journal of Labor Economics---2011---LuoJia Hu,Christopher Taber

Gibbons and Katz's asymmetric information model of the labor market predicts that wage losses following displacement should be larger for layoffs than for plant closings. This was borne out in their empirical work. In this article, we examine how the difference in wage losses across plant closing and layoff varies with race and gender. We find that the basic prediction by Gibbons and Katz holds only for white males. We augment their asymmetric information model with heterogeneous human capital and show that this augmented model can match the data. (c) 2011 by The University of Chicago. Allrights reserved.

Providing Employers with Incentives to Train Low-Skilled Workers: Evidence from the UK Employer Training Pilots

- Journal of Labor Economics---2011---Laura Abramovsky,Erich Battistin,Emla Fitzsimons,Alissa Goodman,Helen Simpson

We use unique workplace and employee-level data to evaluate a major UK government pilot program to increase qualification-based, employer-provided training for low-qualified employees. We evaluate the program's effect using a difference-in-differences approach. Using data on eligible employers and workers we find no evidence of a statistically significant effect on the take-up of training in the first 3 years of the program. Our results suggest that the program involved a high level of deadweight and that improving the additionality of the subsequent national program is crucial if it is to make a significant contribution toward government targets to increase qualification levels. (c) 2011 by The University of Chicago. Allrights reserved.

The Effect of Internal Migration on Local Labor Markets: American Cities during the Great Depression

- Journal of Labor Economics---2010---Leah Bousttan,Price Fishback,Shawn Kantor

The Great Depression offers a unique laboratory to investigate the causal impact of migration on local labor markets. We use variation in the generosity of New Deal programs and extreme weather events to instrument for migrant flows to and from U.S. cities. In-migration had little effect on the hourly earnings of existing residents. Instead, in-migration prompted some residents to move away and others to lose weeks of work or access to relief jobs. For every 10 arrivals, we estimate that 1.9 residents moved out, 2.1 were prevented from finding a relief job, and 1.9 shifted from full-time to part-time work. (c) 2010 by The University of Chicago. All rights reserved.

Treating Equals Unequally: Incentives in Teams, Workers' Motivation, and Production Technology

- Journal of Labor Economics---2010---Sebastian Goerg,Sebastian Kube,Ro'i Zultan

The importance of fair and equal treatment of workers is at the heart of the debate in organizational management. In this regard, we study how reward schemes and production technologies affect effort provision in teams. Our experimental results demonstrate that unequal rewards can potentially increase productivity by facilitating coordination and that the effect strongly interacts with the exact shape of the production function. Taken together, our data highlight the relevance of the production function for organization construction and suggest that equal treatment of equals is neither a necessary nor a sufficient prerequisite for eliciting high performance in teams. (c) 2010 by The University of Chicago. Allrights reserved.

Multiple Experiments for the Causal Link between the Quantity and Quality of Children

- Journal of Labor Economics---2010---Joshua Angrist,Victor Lavy,Analia Schlosser

This article presents evidence on the child-quantity/child-quality trade-off using quasi-experimental variation due to twin births and preferences for a mixed sibling sex composition, as well as ethnic differences in the effects of these variables. Our sample includes groups with very high fertility. An innovation in our econometric approach is the juxtaposition of results from multiple instrumental variables strategies, capturing the effects of fertility over different ranges for different sorts of people. To increase precision, we develop an estimator that combines different instrument sets across partially overlapping parity-specific subsamples. Our results are remarkably consistent in showing no evidence of a quantity-quality trade-off. (c) 2010 by The University of Chicago. All rights reserved.

Identifying Peer Effects in Student Academic Achievement by Spatial Autoregressive Models with Group Unobservables

- Journal of Labor Economics---2010---Xu Lin

Disentangling peer effects from other confounding effects is difficult, and separately identifying endogenous and contextual effects is impossible for the linear-in-means model. This study confronts these problems by using spatial autoregressive models with group fixed effects. The nonlinearity introduced by the variations in the peer measurements provides information to identify both endogenous and contextual effects, thus resolving the "reflection problem." The group fixed effects term captures the confounding effects of the common variables. Applying the model to data sets from the National Longitudinal Study of Adolescent Health, I find strong evidence for both endogenous and contextual effects in student academic achievement. (c) 2010 by The University of Chicago. All rights reserved.

Interracial Friendships in College

- Journal of Labor Economics---2010---Braz Carmargo, Ralph Stinebrickner, Todd Stinebrickner

We use unique longitudinal data to provide direct evidence about interracial friendships at different stages

of college and to provide new evidence about some of the reasons for the observed patterns of interaction. We find that, while much sorting exists at all stages of college, black and white students are, in reality, very compatible as friends; randomly assigned roommates of different races are as likely to become friends as randomly assigned roommates of the same race. Further, we find that, in the long run, being (randomly) assigned a black roommate significantly increases the number of other black friends a white student has. (c) 2010 by The University of Chicago. All rights reserved.

Investment Tournaments: When Should a Rational Agent Put All Eggs in One Basket?

- Journal of Labor Economics---2010---Michael Schwarz, Sergei Severinov

We study "investment tournaments," a class of decision problems involving gradual allocation of investment among several alternatives whose values are subject to shocks. The decision maker's payoff is determined by the final values of the alternatives. An important example of such tournaments is the career choice problem, since a person typically starts by investing in learning several professions. We show that in many cases it is optimal for the decision maker to allocate all resources to the most promising alternative in each time period. We also show that in promotion tournaments the workers optimally exert higher efforts at an early stage in order to capture a larger share of employer's investment, such as mentoring. (c) 2010 by The University of Chicago. All rights reserved.

The Supply Side of Innovation: H-1B Visa Reforms and U.S. Ethnic Invention

- Journal of Labor Economics---2010---William Kerr, William Lincoln

This study evaluates the impact of high-skilled immigrants on U.S. technology formation. We use reduced-form specifications that exploit large changes in the H-1B visa program. Higher H-1B admissions increase immigrant science and engineering (SE) employment and patenting by inventors with Indian and Chinese

names in cities and firms dependent upon the program relative to their peers. Most specifications find limited effects for native SE employment or patenting. We are able to rule out displacement effects, and small crowding-in effects may exist. Total SE employment and invention increases with higher admissions primarily through direct contributions of immigrants. (c) 2010 by The University of Chicago. All rights reserved.

Is a Higher Calling Enough? Incentive Compensation in the Church

- Journal of Labor Economics---2010---Jay C. Hartzell, Christopher A. Parsons, David L. Yermack

We study the compensation and productivity of more than 2,000 Methodist ministers in a 43-year panel data set. The church appears to use pay-for-performance incentives for its clergy, as their compensation follows a sharing rule by which pastors receive approximately 3% of the incremental revenue from membership increases. Ministers receive the strongest rewards for attracting new parishioners who switch from other congregations within their denomination. Monetary incentives are weaker in settings where ministers have less control over their measured performance. (c) 2010 by The University of Chicago. All rights reserved.

Educational Attainment and the Changing U.S. Wage Structure: Dynamic Implications on Young Individuals' Choices

- Journal of Labor Economics---2010---Moshe Buchinsky, Phillip Leslie

We present a dynamic model of individuals' educational investments that allows us to explore alternative modeling strategies for forecasting future wage distributions. The key innovation we propose is an approach to forecasting that relies only on the information that would be available at the actual time decisions are made and which incorporates the role of parameter uncertainty into the decision-making process. We compare the performance of our method with alternative models of forecasting behavior, based on CPS data

over the period 1964-2004. (c) 2010 by The University of Chicago. All rights reserved.

Job Search, Bargaining, and Wage Dynamics

- Journal of Labor Economics---2010---Shintaro Yamaguchi

This article constructs and estimates a model of wage bargaining with on-the-job search to explore three different components of wages: general human capital, match-specific capital, and outside options. As the workers find better job opportunities, the current employer has to compete with outside firms to retain them. This between-firm competition results in wage growth even when productivity remains the same. The model is estimated by a simulated minimum distance estimator and data from the 1979 National Longitudinal Study of Youth. The results indicate that the improved value of the outside option raises wages by 14%-16% in the first 5 years. (c) 2010 by The University of Chicago.

When Minority Labor Migrants Meet the Welfare State

- Journal of Labor Economics---2010---Bernt Bratsberg, Oddbjørn Raaum, Knut RÅed, Knut Røed

Life cycle employment of minority labor migrants who entered Norway in the early 1970s diverges from that of natives. Immigrant employment was nearly complete during early years but declined to 50% by the year 2000 (compared to 87% for a native comparison group). We find that immigrant employment is particularly sensitive to the business cycle and that economic downturns of the 1980s and 1990s accelerated their labor market exit. We trace part of the decline to migrants being overrepresented in shrinking industries. But we also identify welfare disincentives that contribute to poor life cycle employment performance of immigrants with many dependent family members. (c) 2010 by The University of Chicago.

The Effect of Employment Frictions on Crime

- Journal of Labor Economics---2010---Bryan Engelhardt

This article provides estimates on how long it takes for released inmates to find a job and, when they find a job, how less likely they are to be incarcerated. An on-the-job search model with crime is used to model criminal behavior, derive the estimation method, and analyze policies including a job placement program. The results show that the unemployed are incarcerated twice as fast as the employed and take on average 6 months to find a job. The article demonstrates that reducing the average unemployment spell of previously incarcerated criminals by 3 months reduces crime and recidivism by more than 5%. (c) 2010 by The University of Chicago.

Labor Market Monopsony

- Journal of Labor Economics---2010---Orley Ashenfelter, Henry Farber, Michael Ransom

2010

Is There Monopsony in the Labor Market? Evidence from a Natural Experiment

- Journal of Labor Economics---2010---Doug Staiger, Joanne Spetz, Ciaran S. Phibbs

Recent theoretical and empirical advances have renewed interest in monopsonistic models of the labor market. However, there is little direct empirical support for these models. We use an exogenous change in wages at Department of Veterans Affairs (VA) hospitals as a natural experiment to investigate the extent of monopsony in the nurse labor market. We estimate that labor supply to individual hospitals is quite inelastic, with short-run elasticity around 0.1. We also find that non-VA hospitals responded to the VA wage change by changing their own wages. (c) 2010 by The University of Chicago. All rights reserved.

The Elasticity of Labor Supply at the Establishment Level

- Journal of Labor Economics---2010---Torberg Falch

Monopsonistic wage-setting power requires that the supply of labor directed toward individual establishments is upward sloping. This study utilizes institutional features to identify the supply curve. The elasticity of labor supply is estimated using data for the Norwegian teacher labor market in a period where the only variation in the wage level was determined centrally and with information on whether there is excess demand or not at the school level. In fixed-effects models, the supply elasticity faced by individual schools is estimated to about 1.4 and is in the range 1.0-1.9 in different model specification. (c) 2010 by The University of Chicago. All rights reserved.

New Market Power Models and Sex Differences in Pay

- Journal of Labor Economics---2010---Michael Ransom, Ronald Oaxaca

In the context of certain models, it is possible to infer the elasticity of labor supply to the firm from the elasticity of the quit rate with respect to the wage. We use this strategy to estimate the elasticity of labor supply for men and women workers at a chain of grocery stores, identifying separation elasticities from differences in wages and separation rates across different job titles within the firm. We estimate that women have lower elasticities, so a Robinson-style monopsony model can explain reasonably well the lower relative pay of women in the retail grocery industry. (c) 2010 by The University of Chicago.

Differences in Labor Supply to Monopsonistic Firms and the Gender Pay Gap: An Empirical Analysis Using Linked Employer-Employee Data from Germany

- Journal of Labor Economics---2010---Boris Hirsch, Thorsten Schank, Claus Schnabel

This article investigates women's and men's labor supply to the firm within a semistructural approach based on a dynamic model of new monopsony. Using methods of survival analysis and a large linked employer-employee data set for Germany, we find that labor supply elasticities are small (1.9-3.7) and that women's labor supply to the firm is less elastic than men's (which is the reverse of gender differences in labor supply usually found at the level of the market). Our results imply that at least one-third of the gender pay gap might be wage discrimination by profit-maximizing monopsonistic employers. (c) 2010 by The University of Chicago.

Estimating the Firm's Labor Supply Curve in a "New Monopsony" Framework: Schoolteachers in Missouri

- Journal of Labor Economics---2010---Michael Ransom, David P. Sims

In the context of certain dynamic models, it is possible to infer the elasticity of labor supply to the firm from the elasticity of the quit rate with respect to the wage. Using this property, we estimate the average labor supply elasticity to public school districts in Missouri. We leverage the plausibly exogenous variation in prenegotiated district salary schedules to instrument for actual salary. These estimates imply a labor supply elasticity of about 3.7, suggesting that school districts possess significant market power. The presence of monopsony power in this teacher labor market may be partially explained by its institutional features. (c) 2010 by The University of Chicago. All rights reserved.

Estimating the Employer Switching Costs and Wage Responses of Forward-Looking Engineers

- Journal of Labor Economics---2010---Jeremy Fox

This article estimates worker switching costs and how much the employer switching of experienced engineers responds to outside wage offers. I use data on engineers across Swedish private sector firms to estimate the relative importance of employer wage policies and switching costs in a dynamic programming, discrete

choice model of employer choice. The differentiated firms are modeled in employer characteristic space, and each firm has its own age-wage profile. A majority of engineers have moderately high switching costs and a minority of experienced workers are responsive to outside wage offers. Younger workers are more sensitive to outside wage offers. (c) 2010 by The University of Chicago. All rights reserved.

Recruitment Restrictions and Labor Markets: Evidence from the Postbellum U.S. South

- Journal of Labor Economics---2010---Suresh Naidu

This article studies the effect of recruitment restrictions on mobility and wages in the postbellum U.S. South. I estimate the effects of criminal fines charged for "enticement" (recruiting workers already under contract) on sharecropper mobility, tenancy choice, and agricultural wages. I find that a \$13 (10%) increase in the enticement fine lowered the probability of a move by black sharecroppers by 12%, daily wages by 1 cent (.1%), and the returns to experience for blacks by 0.6% per year. These results are consistent with an on-the-job search model, where the enticement fine raises the cost of recruiting an employed worker. (c) 2010 by The University of Chicago. All rights reserved.

Timing "Disturbances" in Labor Market Contracting: Roth's Findings and the Effects of Labor Market Monopsony

- Journal of Labor Economics---2010---George L. Priest

This paper addresses Alvin Roth's findings of market contracting at times earlier than optimal for market participants, which Roth describes as market "unraveling," a market failure he proposes to solve by designing centralized buyer-seller matching programs. This paper shows that, while Roth's engineering solutions are ingenious, the early contracting phenomena derive from labor market monopsony. Under monopsony, price is unavailable to clear the market; time of contract becomes the currency for working out market forces.

Roth's matching serves to shore up the monopsony and would be unnecessary if the monopsony were removed; a superior solution is to end the monopsony. (c) 2010 by The University of Chicago. All rights reserved.

How General Is Human Capital? A Task-Based Approach

- Journal of Labor Economics---2010---Christina Gathmann,Uta SchÅ¶nberg,Uta Schoenberg

This article studies how portable skills accumulated in the labor market are. Using rich data on tasks performed in occupations, we propose the concept of task-specific human capital to measure empirically the transferability of skills across occupations. Our results on occupational mobility and wages show that labor market skills are more portable than previously considered. We find that individuals move to occupations with similar task requirements and that the distance of moves declines with experience. We also show that task-specific human capital is an important source of individual wage growth, accounting for up to 52% of overall wage growth. (c) 2010 by The University of Chicago. All rights reserved.

Preschoolers Enrolled and Mothers at Work? The Effects of Universal Prekindergarten

- Journal of Labor Economics---2010---Maria Fitzpatrick

Three states recently introduced universal prekindergarten programs offering free preschool to all age-eligible children; policy makers in many other states are promoting similar programs. Using restricted-access data from the Census, together with birthday-based eligibility cutoffs, I employ a regression discontinuity framework to estimate the effects of universal pre-K availability on overall preschool enrollment and maternal labor supply. Universal pre-K availability increases statewide preschool enrollment by about 14% but has little effect on the labor supply of most women. (c) 2010 by The University of Chicago. All rights reserved.

The Thrill of Victory: Measuring the Incentive to Win

- Journal of Labor Economics---2010---Bentley Coffey,Michael Maloney

There is ample evidence that incentive-pay structures, such as tournaments, result in increased performance. Is this due to selection or increased individual effort, and is any increased individual effort caused by pecuniary incentives or merely thirst for the thrill of victory (TOV)? Prior literature has not separated the different effects. We look at performance in horse and dog racing and find that only horses, controlled by jockeys during the race, exhibit performance corresponding to pecuniary incentives, while both respond to selection and TOV. The results show that pay structures do matter. (c) 2010 by The University of Chicago.

Assessing the Impact of Eliminating Affirmative Action in Higher Education

- Journal of Labor Economics---2010---Jessica S. Howell

This research examines the determinants of the match between high school seniors and postsecondary institutions in the United States. I model college application decisions as a nonsequential search problem and specify a unified structural model of college application, admission, and matriculation decisions that are all functions of unobservable individual heterogeneity. The results indicate that black and Hispanic representation at all 4-year colleges is predicted to decline modestly-by 2%-if race-neutral college admissions policies are mandated nationwide. However, race-neutral admissions are predicted to decrease minority representation at the most selective 4-year institutions by 10%. (c) 2010 by The University of Chicago. All rights reserved.

Information Technology, Organization, and Productivity in the Public Sector: Evidence from Police Departments

- Journal of Labor Economics---2010---Luis Garicano,Paul Heaton

We examine the relationship between information technology (IT), productivity, and organization using a new panel data set of police departments that covers 1987-2003. When considered alone, increases in IT are not associated with reductions in crime rates, increases in clearance rates, or other productivity measures, and computing technology that increases reported crime actually generates the appearance of lower productivity. These results persist across various samples, specifications, and IT measures. IT investments are, however, linked to improved productivity when they are complemented with particular organizational and management practices, such as those associated with the Compstat program. (c) 2010 by The University of Chicago. All rights reserved.