Gary S. Fields receives IZA Prize in Labor Economics   P. 261-263

Extract

This year's IZA Prize in Labor Economics has been awarded to Gary S. Fields (Cornell University). The prestigious award honors his fundamental contributions on the importance of efficient labor markets to fight poverty and foster economic development in low- and middle-income countries.

The award ceremony will take place during the ASSA annual meeting in Boston on January 4, 2015. "Fighting global poverty is the core task of international development aid. Gary Fields has shown that we need to evaluate existing programs and focus on the creation of more and better jobs," said Klaus F. Zimmermann, Editor-in-Chief of the Journal of Population Economics, in his function as IZA Director. The Prize Committee included Nobel laureate George A. Akerlof (University of California, Berkeley), as well as Rebecca M. Blank (University of Wisconsin-Madison), CEPR President Richard Portes (London Business School), IZA Director of Research Corrado Giulietti, and IZA Director Klaus F. Zimmer ...

ORIGINAL PAPERS

The impact of Internet diffusion on marriage rates: evidence from the broadband   P. 265-297
market

Andriana Bellou

Abstract

The Internet has the potential to reduce search frictions by allowing individuals to identify faster a larger set of available options that conform to their preferences. One market that stands to benefit from this process is that of marriage. This paper empirically examines the implications of Internet diffusion in the USA since the 1990s on one aspect of this market—marriage rates. Exploring sharp temporal and geographic variation in the pattern of consumer broadband adoption, I find that the latter has significantly contributed to increased marriage rates among 21–30 year-old individuals. A number of tests suggest that this relationship is causal and that it varies across demographic groups potentially facing thinner marriage markets. I also provide some suggestive evidence that Internet has likely crowded out other traditional meeting venues, such as through family and friends.

Imitation versus innovation in an aging society: international evidence since 1870   P. 299-327

James B. Ang - Jakob B. Madsen

Abstract

The budgetary implications of an aging population in the OECD are often considered dire. This study argues that this need not be the case provided that older educated workers are more innovative than their younger counterparts and that the workers with tertiary education stay in the labor force until their 60s. In using a panel of 21 OECD countries over the period 1870–2009, this paper estimates the productivity growth effects of education for different age groups, through the channels of innovation and imitation. The results show that educated workers are highly innovative and that the propensity to innovate increases sharply with age.

Increased longevity and social security reform: questioning the optimality of individual accounts when education matters

Gilles Le Garrec

Abstract

In many European countries, population aging had led to debate about a switch from conventional unfunded public pension systems to notional systems characterized by individual accounts. In this article, we develop an overlapping generations model in which endogenous growth is based on an accumulation of knowledge driven by the proportion of skilled workers and by the time they have spent in training. In such a framework, we show that conventional pension systems, contrary to notional systems, can enhance economic growth by linking benefits only to the partial earnings history. Thus, to ensure economic growth, the optimal adjustment to increased longevity could consist in increasing the size of existing retirement systems rather than switching to notional systems.

Intergenerational transmission of skills during childhood and optimal public policy

Alessandra Casarico - Luca Micheletto...

Abstract

We characterize the optimal tax policy and quality of day care services in an OLG model in which child care arrangements chosen by parents of different skill types affect the probability that children become high-skilled adults in a type-specific way. With respect to previous contributions, optimal tax formulas incorporate type-specific Pigouvian terms which correct for the intergenerational externality in human capital accumulation. The optimal quality of day care services is determined by equating the total private marginal benefits of a quality increase to its marginal cost, adjusted for the presence of three additional terms capturing respectively the budgetary impact of a change in demand for day care services, the intergenerational externality in human capital accumulation, and the self-selection constraint.

Maternity leave and children's cognitive and behavioral development

Michael Baker - Kevin Milligan

Abstract

We investigate the impact of maternity leave on the cognitive and behavioral development of children at ages 4 and 5, following up previous research on these children at younger ages. The impact is identified by legislated increases in the duration of maternity leave in Canada, which significantly increased the amount of first-year maternal care. Our results indicate no positive effect on indices of children's cognitive and behavioral development. We uncover a small negative impact on PPVT scores.

Can't buy mommy's love? Universal childcare and children's long-term cognitive development

Christina Felfe - Natalia Nollenberger...

Abstract

What happens to children's long-run cognitive development when introducing universal high-quality childcare for 3-year-olds mainly crowds out family care? To answer this question, we take advantage of a sizeable expansion of publicly subsidized full-time high-quality childcare for 3-year-olds in Spain in the early 1990s. Identification relies on variation in the initial speed of the expansion of childcare slots across states. Using a difference-in-difference approach, we find strong evidence for sizeable improvements in children's reading skills at age 15 (0.15 standard deviation) and weak evidence for a reduction in grade retentions during primary school (2.5 percentage points). The effects are driven by girls and disadvantaged children.

Compensating for unequal parental investments in schooling

Loren Brandt - Aloysius Siow - Hui Wang

Abstract

This paper investigates how rural families in China use marital and post-marital transfers to compensate their sons for unequal schooling expenditures. Using a common behavioral framework, we derive two methods for estimating the relationship between parental transfers and schooling investments: the log-linear and multiplicative household fixed-effects regression models. Using data from a unique household-level survey, we strongly reject the log-linear specification. Results from the multiplicative model suggest that when a son receives 1 yuan less in schooling investment than his brother, he obtains 0.47 yuan more in transfers as partial compensation. Since our measure of transfers represents a substantial fraction of total parental transfers, sons with more schooling likely enjoy higher lifetime consumption. Redistribution within the household may be limited by either the parents' desire for consumption equality or bargaining constraints imposed by their children. Controlling for unobserved household heterogeneity and a fuller accounting of lifetime transfers are quantitatively important.

Fertility and economic instability: the role of unemployment and job displacement

Emilia Del Bono - Andrea Weber - Rudolf Winter-Ebmer

Abstract

In this paper, we study the separate effects of unemployment and job displacement on fertility in a sample of white collar women in Austria. Using an instrumental variable approach, we show that unemployment incidence as such has no negative effect on fertility decisions, but the very fact of being displaced from a career-oriented job has. Fertility rates for women affected by a firm closure are significantly below those of a control group, even after 6 years, and this is so irrespective of the incidence or the duration of the associated unemployment spell.

The unintended: negative outcomes over the life cycle

Wanchuan Lin - Juan Pantano

Abstract

We quantify the impact of abortion legalization on the incidence of unintended births. While underlying much of the literature on abortion legalization, this effect had only been approximated by previous work. We find a strong decline in the prevalence of unintended births. Moreover, we find that this decline is mainly driven by "pro-choice" women. We then propose an empirical strategy to recover the effect of being "unintended" on life cycle outcomes. We use the differential timing of abortion legalization across states interacted with the mother's religion (which facilitates or hinders legal abortion take up) to instrument for endogenous pregnancy intention. We find that being unintended causes negative outcomes (higher crime, lower schooling, lower earnings) over the life cycle. Our paper provides an initial step towards quantifying this key mechanism behind many of the well-documented long-term effects associated with changes in reproductive health policy.

Governmental transfers and altruistic private transfers

Amihai Glazer - Hiroki Kondo

Abstract

If an altruist is expected to aid a person with low utility, that person may be induced to save little. Such behavior generates a good Samaritan dilemma, in which welfare is lower than when no one is altruistic. Governmental transfers, which restrict reallocation from a person who saves much to one who saves little, reduce the effect and can lead to an outcome which is Pareto-superior to the outcome under a Nash equilibrium with no government taxation and transfers.