

2009 International Symposium on Contemporary Labor Economics (LABOR2009)

December 12 - 13, 2009

Wang Yanan Institute for Studies in Economics (WISE)
Xiamen University, China, and
Centre for European Economic Research (ZEW), Germany

□ Conference Program

Preliminary Program as of December 1st 2009 (presenters are bolded.)

December 12, 2009

Section 0 (8:15am-8:30am, Location): Welcome and Opening Remarks

Section Chair: **Zongwu Cai**, University of North Carolina at Charlotte and Xiamen University, China, zcai@uncc.edu.

Section 1 (8:30am-10:00am, English) Keynote Session I

Section Chair: **Zongwu Cai**, University of North Carolina at Charlotte and Xiamen University, China, zcai@uncc.edu.

[1] **8:30-9:15: James Albrecht**, “Decomposing Differences in Distributions - Applications of the Machado-Mata Method,” Georgetown University, albrecht@georgetown.edu.

[2] **9:15-10:00: David Neumark**, “Neighbors and Co-Workers: The Importance of Residential Labor Market Networks,” University of California – Irvine, dneumark@uci.edu.

10:00-10:30: Coffee Break

Section 2A (10:30am-12:00pm, English): Discrimination

Section Chair: **Holger Bonin**, Centre for European Economic Research (ZEW Mannheim), bonin@zew.de.

[1] **10:30-11:00: Chun-Chung Au**, “Labor Market Opportunities and Education Choice of Male Black and White Youths,” WISE, Xiamen University, ccau.wise@gmail.com.

[2] **11:00-11:30: Melanie Arntz, Holger Bonin, and Felix Hörisch**, “Does Discrimination Explain Occupational Segregation by Sex? Evidence from Local Gender Imbalances in Post-Unification Germany,” Centre for European Economic Research (ZEW Mannheim), bonin@zew.de.

- [3] **11:30-12:00: Vladimír Hlásny**, “Uncertainty about Job Applicants: Search, Profiling and Discrimination,” Ewha Womans University, Korea, vhlasny@gmail.com.

Section 2B (10:30am-12:00pm, English): Education Economics

Section Chair: **Anja Heinze**, Centre for European Economic Research (ZEW Mannheim), heinze@zew.de.

- [1] **10:30-11:00: Thomas Gries and Natasa Bilkic**, “Stay in School or Start Working? The Human Capital Investment Decision under Uncertainty and Irreversibility,” University of Paderborn, Thomas_Gries@notes.uni-paderborn.de.

- [2] **11:00-11:30: Xinzheng Shi**, “Does an Intra-household Flypaper Effect Exist? Evidence from an Educational Fee Reduction Performs in Rural China,” Tsinghua University, shixzh@sem.tsinghua.edu.cn.

- [3] **11:30-12:00: Rong Zhu**, “The Impact of Major-Job Mismatch on Chinese College Graduates' Earnings: A Nonparametric Approach,” University of New South Wales, rongzhu0101@gmail.com.

12:00pm-2:30pm: Lunch

Section 3A (2:30pm-4:00pm, English): Poverty and Income Inequality

Section Chair: **Binzhen Wu**, Tsinghua University, wubzh@sem.tsinghua.edu.cn.

- [1] **2:30-3:00: Tor, Eriksson, and Yingqiang Zhang**, “Inequality of Opportunity and Income Inequality in Nine Chinese Provinces, 1989-2006,” Aarhus University, tor@asb.dk and zyq@asb.dk.

- [2] **3:00-3:30: Han Jun**, “Globalization, Inequality and Poverty in China,” Nankai University, jhan@nankai.edu.cn.

- [3] **3:30-4:00: Hongbin Li, Jin Ye, and Binzhen Wu**, “Income Inequality, Status Seeking, and Consumption,” Tsinghua University, wubzh@sem.tsinghua.edu.cn.

Section 3B (2:30pm-4:00pm, English): Labor Market Dynamics

Section Chair: **Yongjun Chen**, Renmin University of China, chenyj1108@ruc.edu.cn.

- [1] **2:30-3:00: Li Jin**, “Relational Contracts, Limited Liability, and Employment Dynamics,” Northwestern University, jin-li@kellogg.northwestern.edu.

- [2] **3:00-3:30: Lei Tian, Renmin University of China, H. Holly Wang, Purdue University, and Yongjun Chen**, , Renmin University of China, “Spatial Externalities in China

Regional Economic Growth,” chenyj1108@ruc.edu.cn.

- [3] **3:30-4:00: Tong Wang**, “Labor Market Dynamics with Searching Friction and Fair Wage Considerations,” Goethe University Frankfurt, Tong.Wang@hof.uni-frankfurt.de.

4:00-4:30: Coffee Break

Section 4A (4:30pm-6:00pm, English): Gender Wage Differentials

Section Chair: **Thomas Walter**, Centre for European Economic Research (ZEW Mannheim), walter@zew.de.

- [1] **4:30-5:00: Anja Heinze**, “Beyond the Mean Gender Wage Gap: Decomposition of Differences in Wage Distributions Using Quantile,” Centre for European Economic Research (ZEW Mannheim), heinze@zew.de.
- [2] **5:00-5:30: Weiwei REN**, “Gender Differences in the Return to Schooling in China,” University of Western Australia, wren@biz.uwa.edu.au.
- [3] **5:30-6:00: Johanna Rickne**, “Competition and Gender-skill-differentials in Earnings and Productivity: Evidence from China's Industrial Sector,” Uppsala University and Stockholm Research Institute, johanna.rickne@nek.uu.se.

Section 4B (4:30pm-6:00pm, English):

Section Chair: **Lei Meng**, WISE, Xiamen University, lmeng05@gmail.com.

- [1] **4:30-5:00: Semih Tumen**, “A Hedonic Approach to the Quantity-Quality Theory,” University of Chicago and the Central Bank of Turk, semihtumen@uchicago.edu.
- [2] **5:00-5:30: Kai Yan**, “Social Network and Labor Market Outcomes: a Signaling Approach,” Peking University, pkuyankai@gmail.com.
- [3] **5:30-6:00: Lei Meng**, “Bride Drain: Rising Female Migration and Declining Male Marriage Rates in Rural China,” WISE, Xiamen University, lmeng05@gmail.com.

6:00pm-8:00pm: Dinner

December 13, 2009

Section 5 (8:30am-10:00am, English) Keynote Session II

Section Chair: **Zhiqi Chen**, Carleton University and Xiamen University,
z_chen@carleton.ca.

[1] **8:30-9:15: Steven Stern**, “Demand for Consumer Durables in China,” University of Virginia, Sns5r@eservices.virginia.edu.

[2] **9:15-10:00: Susan Vroman**, “Applying Job Search Theory to Economies with Informal Labor Markets.” Georgetown University, vromans@georgetown.edu.

10:00-10:30: Coffee Break

Section 6A (10:30am-12:00pm, English): Migration in China

Section Chair: **Zhaopeng Qu**, Nanjing University, quzhaopeng@gmail.com.

[1] **10:30-11:00: Feng Hu**, “Circular Migration, or Permanent Stay? Evidence from China's Urban-Rural Migration,” University of Science and Technology Beijing, hufeng@manage.ustb.edu.cn.

[2] **11:00-11:30: Zhaopeng Qu**, “The Evolution of Chinese Rural-Urban Migrants Labor Market from 2002 to 2007,” Nanjing University, quzhaopeng@gmail.com.

[3] **11:30-12:00: Démurger Sylvie**, “Return Migration and Occupational Change in Rural China: a Case Study of Wuwei County,” CNRS, demurger@gate.cnrs.fr.

Section 6B (10:30am-12:00pm, English): Poverty and Welfare

Section Chair: **Hau Chyi**, WISE, Xiamen University, hauchyi@gmail.com.

[1] **10:30-11:00: Hau Chyi**, “Job Quality and the Economic Independence of Welfare Users,” WISE, Xiamen University, hauchyi@gmail.com.

[2] **11:00-11:30: Thomas Gries and Stefan Gravemeyer**, “Poverty in Urban China: The Case of Shenzhen,” University of Paderborn, thomas.gries@notes.upb.de.

[3] **11:30-12:00: Bernhard Boockman, Stephan L. Thomsen, and Thomas Walter**, “Intensifying the Use of Benefit Sanctions - An Effective Tool to Activate Welfare Recipients?” Centre for European Economic Research (ZEW Mannheim), bernhard.boockmann@iaw.edu, stephan.thomsen@ovgu.de, walter@zew.de.

Section 6C (10:30am-12:00pm, English): Labor Market Trends

Section Chair: **Michael Orszag**, Watson Wyatt Worldwide, Inc.
mike.orszag@watsonwyatt.com

[1] **10:30-11:00: Ping Ching Winnie Chan**, “Impact of the Recent Economic Downturn on the Canadian Labour Market,” Statistics Canada, winnie.chan@statcan.gc.ca.

[2] **11:00-11:30:** Xin Meng, **Kailing Shen**, Sen Xue ⇔ “Economic Reform, Education Expansion, and Earnings Inequality for Urban Males in China, 1988-2007,” kailing.shen@gmail.com.

[3] **11:30-12:00:** **Michael Orszag**, “The Wage Premium on Skilled Labor: How Will It Evolve in the Next Decade?” Watson Wyatt Worldwide, Inc.
mike.orszag@watsonwyatt.com

12:00pm-2:30pm: Lunch

Section 7A (2:30pm-4:00pm, English): Human Capital and Wage

Section Chair: **Wim Meeusen**, University of Antwerp (Belgium),
wim.meeusen@ua.ac.be.

[1] **2:30-3:00:** **Wei-dong Jin**, “Human Capital, Technical Advance and Economic Growth,” Shandong University of Finance and Economics,
jinweidong1117@gmail.com.

[2] **3:00-3:30:** **Wim Meeusen**, “The Estimation of the Efficiency Wage Effect,” University of Antwerp (Belgium), wim.meeusen@ua.ac.be.

[3] **3:30-4:00:** **Bo Zhou**, and Hau Chyi, “The Effects of Education Policies on School Enrollment in China,” WISE, Xiamen University, bozhou98@gmail.com.

Section 7B (2:30pm-4:00pm, English): Labor Market Outcomes of Immigrants

Section Chair: **Hubert Jayet**, University of Science and Technology of Lille,
Hubert.Jayet@univ-lille1.fr

[1] **2:30-3:00:** **Tony Fang**, “Immigration, Ethnic Wage Differentials and Output Pay,” York University, tonyfang@yorku.ca.

[2] **3:00-3:30:** **Brahim Boudarbat** and Maude Boulet, “The Impact of Canadian Credentials on the Labour Market Outcomes of Immigrants in Canada,” University of Montreal, brahim.boudarbat@umontreal.ca.

[3] **3:30-4:00:** **Hubert Jayet**, “Network Effects and the Location of Immigrants within the host Country: Evidence from Switzerland,” University of Science and Technology of Lille, Hubert.Jayet@univ-lille1.fr.

Section 7C (2:30pm-4:00pm, English): Determinants of Economic Outcomes

[3] 5:30-6:00:

Section 8C (4:30pm-6:00pm, English): Life Satisfaction and the Economics of the Elderly

Section Chair: **Francesco Ferrante**, f.ferrante@caspur.it.

1] 4:30-5:00: Shu Cai, “Could Social Participation Delay Senescence on Cognition for the Elderly? Evidence from China,” Peking University, aofa.s.cai@gmail.com.

[2] 5:00-5:30 Francesco Ferrante, “Education, Aspirations and Life Satisfaction”, Universita’ di Cassino, f.ferrante@caspur.it.

[3] 5:30-6:00: Chao Jiang, “How Would Non-Adult Grandchildren Affect Living Arrangements of the Elderly? Evidence from CHARLS,” Peking University, jiangchaoccer@gmail.com.

6:00pm-8:00pm: Dinner

December 14, 2009

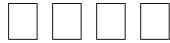
8:00am-1:00pm, Sight-seeing to Gu-Lang Island

8:00am: Bus Departure at the Front gate of Yi-Fu Building

12:00: Lunch

1:00pm, Bus Return to Xiamen University

Abstract



December 12, 2009

Section 0 (8:15am-8:30am, Location): Welcome and Opening Remarks

Section Chair: **Yongmiao Hong**, Cornell University and Xiamen University

Section 1 (8:30am-10:00am, English) Keynote Session I

Section Chair: **Zongwu Cai**, University of North Carolina at Charlotte and Xiamen University, China, zca@uncc.edu.

[1] **8:30-9:15: James Albrecht**, “Decomposing Differences in Distributions - Applications of the Machado-Mata Method,” Georgetown University, albrecht@georgetown.edu.

[2] **9:15-10:00: David Neumark**, “Neighbors and Co-Workers: The Importance of Residential Labor Market Networks,” University of California – Irvine, dneumark@uci.edu.

10:00-10:30: Coffee Break

Section 2A (10:30am-12:00pm, English): Discrimination

Section Chair: **Holger Bonin**, Centre for European Economic Research (ZEW Mannheim), bonin@zew.de.

[1] **10:30-11:00: Chun-Chung Au**, “Labor Market Opportunities and Education Choice of Male Black and White Youths,” WISE, Xiamen University, ccau.wise@gmail.com.

[2] **11:00-11:30: Melanie Arntz, Holger Bonin, and Felix Hörisch**, “Does Discrimination Explain Occupational Segregation by Sex? Evidence from Local Gender Imbalances in Post-Unification Germany,” Centre for European Economic Research (ZEW Mannheim), bonin@zew.de.

The paper contributes to the discussion whether demand or supply for labor drives occupational segregation by sex. It exploits a demographic phenomenon unique among industrialized nations: massive imbalance in local sex ratios developing through female dominated regional migration flows in post-unification Germany. Estimates are on the basis of administrative panel data and control for unobserved heterogeneity both at the individual and regional level. The evidence suggests that when men become relatively scarce, the probability of women to access to male-dominated occupations becomes larger. Thus there appears to be a demographic window of opportunity for

women, which is consistent with demand theories of occupational segregation. Our hypothesis is that if firms face a relative shortage of men, they find it increasingly difficult to discriminate against women.

[3] 11:30-12:00: Vladimír Hlásny, “Uncertainty about Job Applicants: Search, Profiling and Discrimination,” Ewha Womans University, Korea, vhlasny@gmail.com.

Employment markets traditionally contain many forms of uncertainty and asymmetry of information. Uncertainty about job applicants’ productivity and character is among them. Job applicants, employers and regulators can gain from managing this uncertainty, and they respond to it in various ways. Employers in particular have an incentive to find a second-best solution in hiring.

The present organization of the formal Korean employment market does not resolve the existence of uncertainty satisfactorily. Hiring procedures and employment contracts contain informal provisions filling in for proper assurances. The market system and regulation allow the asymmetry of information to persist, and, in dealing with the uncertainty, allow other issues to arise, including formation of middlemen, transaction costs, and statistical discrimination.

This study is concerned with the commonplace practice by Korean employers to seek extensive personal, controversial information from job applicants – their profiling, based on which statistical discrimination is conducted. (Taste-based discrimination is acknowledged to exist, but its evidence and causes are difficult to pinpoint.) A statistical search model is developed to illustrate the uncertainty about applicants’ future productivity, training costs and tenure with the company; the role of inappropriate questions in predicting those characteristics; and employers’ choice regarding information sought when questions have limited predictive power, and information-collection is costly. This study identifies, theoretically and then empirically, the determinants of the extent of statistical discrimination by different employers. The paper identifies which features of the market organization and regulation are problematic, and how they may be feasibly reformed.

In the empirical part, tobit and probit regressions evaluate what determines firms’ decision to profile job candidates. The dependent variable is the number of inappropriate questions asked, and the occurrence of various types of inappropriate questions, in a sample of 400 recent job application forms of Korean employers. Explanatory variables come from publicly available information on individual employers.

Profiling of applicants is found to vary systematically across companies, and is linked to features of job openings, companies and their owners, and to business conditions in which companies operate. At the level of the opening, skill needs, assets accessible to the employee, and legal status (permanent, temporary, part time etc.) help explain the hiring procedures. At the company level, firm size, industry, labor market share, unionization and strength of unions, and location determine the hiring procedures significantly. At the local market level, composition of labor in the industry, average mandatory and discretionary compensation, average hours worked, job opening rate and unemployment rate contribute significantly. Using economic controls, the study attempts to solve the apparent puzzle noted in previous literature: why smaller firms tend to discriminate more, and why discrimination varies greatly across industries. In this regard, the study is only partially successful. Economic covariates explain a significant amount of the cross-firm-size, cross-industry variation in discrimination, but a large portion remains unexplained.

Section 2B (10:30am-12:00pm, English): Education Economics

Section Chair:

- [1] **10:30-11:00:** Thomas Gries and **Natasa Bilic**, “Stay in School or Start Working? The Human Capital Investment Decision under Uncertainty and Irreversibility,” University of Paderborn, Thomas_Gries@notes.uni-paderborn.de.

At any moment a student may decide to leave school and enter the labor market, or stay in the education system. The time to leave school determines their level of academic achievement and formal qualification. Therefore, the major purpose of this paper is to derive a timing rule for leaving school and thus answer the question: How long should I go to school? To solve this problem we apply the real option approach. Real option theory offers a different perspective of the human capital investment decision under uncertainty and irreversibility. As future income is uncertain, we model future earnings as a continuous stochastic process. We use dynamic programming techniques to derive an income threshold at which a student should leave school irreversibly. Unlike other approaches we are able to determine the explicit timing and provide a full analytical discussion of the effects of schooling costs and various other determinants of the decision to terminate education and enter the labor market. No numerical discussion is needed. Further, as we are able to look at a sequence of formal qualification levels, each characterized by various cost and income profiles, discontinuities and sheepskin effects can be analyzed. In addition, as entry into a higher education program often requires the successful prior completion of a lower qualification level, the option value of an education should include the option value of completing a higher qualification later on.

- [2] **11:00-11:30:** **Xinzheng Shi**, “Does an Intra-household Flypaper Effect Exist? Evidence from an Educational Fee Reduction Performs in Rural China,” Tsinghua University, shixzh@sem.tsinghua.edu.cn.

In this paper, I test for evidence of an intra-household flypaper effect by evaluating the impact of an educational fee reduction reform in rural China on different categories of household expenditures, including spending on individual children. Using data that pre- and post-dated the reform, I exploit cohort comparisons, the variation in the extent of educational fee reductions across different villages, and variation in the transfers received by children enrolled in different grades within the same family to identify the impacts of the reform. I find that educational fee reductions were matched by increased voluntary educational spending on the same children receiving fee reductions, providing strong evidence of an intra-household flypaper effect.

- [3] **11:30-12:00:** **Rong Zhu**, “The Impact of Major-Job Mismatch on Chinese College Graduates' Earnings: A Nonparametric Approach,” University of New South Wales, rongzhu0101@gmail.com.

The impact of quantity-based education-occupation mismatch such as overeducation and under education on individual's labor market outcomes has received much attention in the literature. In this paper, we assess the impact of major-job mismatch on college graduates' early career earnings using a subsample from 2008 Chinese College Graduates' Employment and Work Skills Survey. The linear specifications commonly-used in relevant literature are rejected by a recently developed kernel-based nonparametric specification test, and a fully nonparametric approach

is employed. After obtaining estimate for every mismatched individual, we find substantial heterogeneity in the effects of major-job mismatch on individual's monthly income. The mean impact is negative but is very limited for the full sample and various subsamples.

12:00pm-2:30pm: Lunch

Section 3A (2:30pm-4:00pm, English): Poverty and Income Inequality

Section Chair: **Binzhen Wu**, Tsinghua University, wubzh@sem.tsinghua.edu.cn.

[1] 2:30-3:00: Tor, Eriksson, and **Yingqiang Zhang**, “Inequality of Opportunity and Income Inequality in Nine Chinese Provinces, 1989-2006,” Aarhus University, tor@asb.dk and zyq@asb.dk.

While there is a large and growing body of research describing and analyzing changes in the Chinese income distribution, researchers have paid considerable less attention to inequality of opportunity. The aim of this paper is to contribute to filling this gap in the literature. The two main questions addressed empirically for the first time in a Chinese context are: To what extent are individuals' incomes and individual income differences due to factors beyond the individual's control (in Roemer's terminology “circumstances”) and to what extent are they due to outcomes of the individual's own choices (“effort”). What is the relationship between income inequality and inequality of opportunity?

For this purpose we use data from the China Health and Nutrition Survey collected from nine provinces during the period 1989 to 2006. The CHNS has detailed information about incomes and the circumstance and effort variables for two generations.

We find that China has a substantial degree of inequality of opportunity. Parental income and parents' type of employer explain about two thirds of the total inequality of opportunity. Notably, parental education plays only a minor role implying that parental connections remain important. The results show that the increase in income inequality during the period under study largely mirrors the increase in inequality of opportunity. Or, expressed differently, increased income inequality does not reflect changes in effort variables.

[2] 3:00-3:30: **Han Jun**, “Globalization, Inequality and Poverty in China,” Nankai University, jhan@nankai.edu.cn.

Although there is some consensus on the distributional effects of globalization in North America, little is known about its effects on inequality and poverty in a large developing country like China. In this paper, we use two “opening-up” policy changes, Deng Xiaoping's Southern Tour in 1992 and China's WTO accession in 2001, to examine the impacts of globalization on wage inequality and poverty in urban China. Using Chinese Urban Household Survey data from 1988 to 2005, we focus the analysis on whether regions that were more exposed to globalization experienced smaller or bigger changes in wage inequality and poverty than less-exposed regions. Our main findings are: (a) skilled workers (defined as college graduates or workers in high percentiles of wage distribution) benefit more from opening-up policies than unskilled workers in high-exposure regions relative to low-exposure regions; (b) globalization is not associated with poverty reduction in high-exposure regions comparing to low-exposure regions.

[3] 3:30-4:00: Hongbin Li, Jin Ye, and **Binzhen Wu**, “Income Inequality, Status Seeking, and Consumption,” Tsinghua University, wubzh@sem.tsinghua.edu.cn.

The Precautionary saving motives are popular explanations for the Chinese Saving Puzzle, but few empirical studies quantify the size of precautionary savings in China. We use the quasi-natural experiment provided by the introduction of New Cooperative Medical Scheme in the rural area to examine the effect of health insurance on consumption. The data we use are a combination of the longitudinal Rural Fixed-point Survey (RFPS) and a unique household survey conducted on a subsample of the 2006 round of RFPS.

After controlling for household and year fixed effects, we find that the health insurance coverage has stimulated household’s consumption expenditure by 2-5% on average. However, the effect is only significant for families having no health care expenditure during the same year, which suggests a pure ex ante insurance effect. This effect is only significant for poor families. In addition, the effect becomes stronger when there are family members having fair or bad health status. These results indicate that the higher the relative risk of (huge) unaffordable health expenditure is in the future, the stronger the insurance effect on consumption is after introducing the safety net program. We also find that the insurance effect is significantly stronger after families learn more about the insurance program, conditional on families witness the benefits of the health insurance coverage. This implies trust on the public insurance program is important.

Section 3B (2:30pm-4:00pm, English): Labor Market Dynamics

Section Chair:

[1] 2:30-3:00: **Li Jin**, “Relational Contracts, Limited Liability, and Employment Dynamics,” Northwestern University, jin-li@kellogg.northwestern.edu.

This paper develops a tractable model of relational contract with imperfect public monitoring where the agent has limited liability. In the optimal relational contract, both monetary reward for good performance and punishment for bad performance through termination are used. Both are postponed as much as possible yet termination always occurs with positive probability.

The optimal relational contract sheds light on a number of important patterns of employment dynamics. First, employment relationship sometimes starts with a probation phase, after which the agent either receives permanent employment or is terminated. Second, the sensitivity of wages to performance increases with experience and wages are backloaded. Third, turnover rates can be inverse-U shaped with seniority. Fourth, earlier successes are more important for future wage growth.

The tractability of the model also allows us to carry out several comparative statics that are typically difficult to obtain in discrete-time dynamic incentive models. Our technique of obtaining comparative statics uses properties of functional operators and may be of independent interest. Some of the comparative statics results shed new light on important policy issues. For example, minimum wage may harm workers who are already employed because they are more likely to be terminated.

[2] 3:00-3:30: **Irene Bertschek**, “New Technologies and Demographic Change,” Centre for European Economic Research (ZEW Mannheim).

[3] 3:30-4:00: **Tong Wang**, “Labor Market Dynamics with Searching Friction and Fair

Wage Considerations,” Goethe University Frankfurt,
Tong.Wang@hof.uni-frankfurt.de.

We modify the Mortensen-Pissarides model (MP) by incorporating fair wage consideration to study the cyclical behavior of equilibrium unemployment and vacancies. In addition to vacancy posting and employment level, the employer also decides on wage subject to workers' effort function. Employing the effort function of Danthine and Kurmann (2004) in which worker's effort depends on individual wage, aggregate real wage, aggregate employment and aggregate past wage, we find that the volatility of labor market tightness depends critically on the sensitivity of effort to individual wage. Moreover, an increase in the sensitivity of effort to aggregate wage increase the real wage volatility and hence decreases the volatility of labor market tightness. We show the model could replicate the negative correlation between unemployment and vacancies, i.e., the Beveridge curve; more-over, the model could generate plausible statistical moments of aggregate wage, labor market flows as well as unemployment. However, the volatility of labor market tightness is sensitive to the impact of individual wage on effort.

4:00-4:30: Coffee Break

Section 4A (4:30pm-6:00pm, English): Gender Wage Differentials

Section Chair:

[1] 4:30-5:00: Anja Heinze, “Beyond the Mean Gender Wage Gap: Decomposition of Differences in Wage Distributions Using Quantile,” Centre for European Economic Research (ZEW Mannheim), heinze@zew.de.

Using linked employer-employee data, this study measures and decomposes the differences in the earnings distribution between male and female employees in Germany. I extend the traditional decomposition to disentangle the effect of human capital characteristics and the effect of firm characteristics in explaining the gender wage gap. Furthermore, I implement the decomposition across the whole wage distribution with the method proposed by Machado and Mata (2005). Thereby, I take into account the dependence between the human capital endowment of individuals and workplace characteristics. The selection of women into less successful and productive firms explains a sizeable part of the gap. This selection is more pronounced in the lower part of the wage distribution than in the upper tail. In addition, women also benefit from the success of firms by rent-sharing to a lesser extent than their male colleagues. This is the source of the largest part of the pay gap. Gender differences in human capital endowment as well as differences in returns to human capital are less responsible for the wage differential.

[2] 5:00-5:30: Weiwei REN, “Gender Differences in the Return to Schooling in China,” University of Western Australia, wren@biz.uwa.edu.au.

This paper examines the gender differential in the payoff to schooling in China using a framework provided by the over education/required education/under education literature, and the decomposition developed by Chiswick and Miller (2008). It shows that the payoff to correctly matched education in the Chinese labor market is much higher for females than for males. Associated with this, the wage penalty where workers are under qualified in their

occupation is greater for females than for males. Both of these factors are shown to be linked to the higher payoff to schooling for females than for males. Over educated females, however, are disadvantaged compared with their male counterparts, which acts to reduce the extent to which their payoff to schooling exceeds that for males. These findings are interpreted using the explanations offered for the gender differential in the payoff to schooling in the growing literature on earnings determination in China.

[3] 5:30-6:00: Johanna Rickne, “Competition and Gender-skill-differentials in Earnings and Productivity: Evidence from China's Industrial Sector,” Uppsala University and Stockholm Research Institute, johanna.rickne@nek.uu.se.

This paper uses data for Chinese industrial firms to test if competition reduces gender-related discrimination in earnings. Compared to a baseline estimate from a nation-wide sample, I find that the wages of female employees deviate less from their productivity in foreign-invested firms and in firms located in the competitive environment of the Special Economic Zones. Less consistent with a negative correlation between discrimination and competition is the finding of more pronounced deviations in firms with smaller workforces and under State-ownership. The empirical evidence robustly rejects that non-salary compensation substantially contributes to a polarization of industrial earnings along gender-skill lines.

Section 4B (4:30pm-6:00pm, English):

Section Chair: **Lei Meng**, WISE, Xiamen University, lmeng05@gmail.com.

[1] 4:30-5:00: Semih Tumen, “A Hedonic Approach to the Quantity-Quality Theory,” University of Chicago and the Central Bank of Turk, semihtumen@uchicago.edu.

This paper develops a hedonic approach to the quantity-quality theory using a classic insight of the assignment literature--when there is negative sorting. Families differ in the number of children they have. We interpret quality as a composite commodity that parents use in child rearing. In the equilibrium, children with higher quality are produced in families with smaller size. This setup yields a theory of the implicit cost of child rearing. We extend the literature on the shape and curvature of the cost function for child rearing by establishing that whether the cost function is convex, concave or linear depends on the functional forms of parental preferences, the distribution of family size, and the distribution of the quality of child-rearing resources in the society. We also determine the distribution of the cost of quality of children in the society, which leads to an analysis of inequality in terms of producing higher quality children.

[2] 5:00-5:30: Kai Yan, “Social Network and Labor Market Outcomes: a Signaling Approach,” Peking University, pkuyankai@gmail.com.

This paper studies the correlation between social networks and labor market outcomes from the perspective of a signaling game. Despite most of the former studies, which took social network as given, we try to take the accumulation of social network as a process of social capital accumulation that could change posterior beliefs on potential productivity of workers. From this perspective, our model predicts that the correlation of social tie strength a worker uses to find a job is positively related to his wage if the effort of social network and the effort from the worker are complements, and may exhibit some non-monotonic structure if they are substitutes. Our empirical results show that there is indeed very strong signaling effect incorporated in the choice of social network on the

activity of job-seeking. Apart from that, our empirical studies also show that social networks on the labor market do not have much effect on lowering search costs, and the job-seeking efforts from social networks and efforts from the workers themselves are likely to be substitutes, not complements.

- [3] **5:30-6:00: Lei Meng**, “Bride Drain: Rising Female Migration and Declining Male Marriage Rates in Rural China,” WISE, Xiamen University, lmeng05@gmail.com.

6:00pm-8:00pm: Dinner

December 13, 2009

Section 5 (8:30am-10:00am, English) Keynote Session II

Section Chair: **Zhiqi Chen**, Carleton University and Xiamen University,
z_chen@carleton.ca.

- [1] **8:30-9:15: Steven Stern**, “Demand for Consumer Durables in China,” University of Virginia, Sns5r@eservices.virginia.edu.

- [2] **9:15-10:00: Susan Vroman**, “Applying Job Search Theory to Economies with Informal Labor Markets.” Georgetown University, vromans@georgetown.edu.

10:00-10:30: Coffee Break

Section 6A (10:30am-12:00pm, English): Migration in China

Section Chair:

- [1] **10:30-11:00: Feng Hu**, “Circular Migration, or Permanent Stay? Evidence from China's Urban-Rural Migration,” University of Science and Technology Beijing, hufeng@manage.ustb.edu.cn.

Although there is a rich literature on temporary migration in China, no existing studies deal with the permanent migration decision of China's rural labor. This paper will fill this gap and deal with the permanent migration choice made by rural migrants with the China General Social Survey (CGSS) data. Our results show that compared with their circular counterparts, permanent migrants tend to stay within the home provinces and are more likely to have stable jobs, earn high incomes and thus more adapted to urban lives. We also find that more educated and more experienced migrants tend to be permanent urban residents, while the relationship of age and the probability of permanent migration is inverse U-shaped. Due to the restrictions of the current *hukou* system and the lack of rural land rental market, those people with more children and more land at home are more likely to migrate circularly rather than permanently.

[2] 11:00-11:30: Zhaopeng Qu, “The Evolution of Chinese Rural-Urban Migrants Labor Market from 2002 to 2007,” Nanjing University, quzhaopeng@gmail.com.

The paper is devoted to study the dynamic change of migrants labor market in China in beginning of the 21th century. We use CHIP and RUMiC data to construct a unique data set to describe some basic facts about Chinese rural-urban migrants in urban labor market such as employment rate, wage and working hours etc. from 2002 to 2007. Our main focus is the wage structure of migrants and its change from 2002 to 2007. We compare migrants in 2002 with those in 2007, and also with urban residents. Our results show that there is a huge rise in wages among both migrants and urban residents over the 5-year period. Wage inequality among migrants decreased a lot while the inequality among urban residents increased a little. Using decomposition method we find that most of increase of wage can contribute to the increase of returns to characteristics of migrants.

[3] 11:30-12:00: Démurger Sylvie, “Return Migration and Occupational Change in Rural China: a Case Study of Wuwei County,” CNRS, demurger@gate.cnrs.fr.

China’s rapid economic development and government policy changes towards higher inter-regional labor mobility have both encouraged a massive rural-urban labor force exodus since the mid-1980s in China. The National Bureau of Statistics estimates the total number of rural migrants working in cities in 2006 to be over 130 million (Li, 2008). Estimations also indicate that among the rural labor force, every fifth person is a rural migrant, and that about one-half of the rural population lives in households with one or more migrant workers.

The migration phenomenon in China has several peculiarities that make it quite specific as compared to international experience. First, it is largely an internal movement, from rural to urban areas, and given the large population size, flows of rural migrants to cities occur on a very large scale. Second, the migration phenomenon has been shaped by strong institutional constraints, especially the household registration (Hukou) system and the land tenure system. These administrative barriers to permanent settlement in cities tend to make rural migrants more likely to maintain close linkages with their hometown as well as to return to and to resettle in their home community within several years. Hence, a large part of rural migrants in China are temporary workers who migrate to more developed urban areas in order to save money and to improve their economic situation at home. Temporary migration itself can take various forms depending on whether or not the migrants settle back permanently upon return. Seasonal or circular migration, with back and forth movements between rural and urban areas, is a well-documented phenomenon in China, with an extensive literature focusing on the so-called “floating population”. As rural-urban migration itself did not occur on a large scale until the mid-1980s, return migration with permanent resettlement is a relatively new phenomenon in China, and it has received much less attention. Although there is no systematic estimation of the actual number of return migrants all over China, various estimations converge towards about one-third of all migrants having returned to their home community by the end of the 1990s (Murphy, 1999; Zhao, 2002). A research project directed by the Chinese Ministry of Agriculture from 1997 to 2001 indicates that return migrants represent about 6.3% of the whole rural labor force and 28.5% of the total migrant population (Gao and Jia, 2007). It also highlights an increasing trend to return, especially after the mid-1990s.

Several empirical papers have studied return migration and its impact on the source communities in rural China, mostly with data collected on specific areas at the end of the 1990s. Hare (1999) examines the determinants of migrants’ employment spell length using data on 309 households collected in 1995 in a county in Henan province. Although she only focuses on seasonal migration, she finds that pull factors mainly related to the household’s own-production labor needs are the most important determinants of how long migrant workers stay in cities before returning home. Using data from a rural household survey carried out in six provinces in 1999, Zhao (2002) finds

that that both push and pull factors affect the return decision. She also finds that return migrants invest twice more in productive farm assets as compared to non-migrants but are not more likely to participate in non-farm work than are non-migrants. Wang and Fan (2006) examine the selectivity of return migrants with data collected in Sichuan and Anhui in 1999. They divide returnees into three groups regarding their return reasons: success returnees (investment reason), failure (health, job, etc.) and family reason. By controlling for other factors, they predict a positive relationship between success returnees and the length of spell in the destination area, indicating that the accumulation of migration experience is positively related to the returnees' investment purpose for return. Ma (2001) uses data collected in 1997 from 13 rural counties in 9 provinces and highlights the fundamental role of migration experience in return migrants' occupational change after return. In particular, he finds that it is the improvement of the migrant's skills and entrepreneurial ability rather than material accumulation during migration that facilitates the occupational change towards non-farm employment upon return. In another paper, Ma (2002) also shows that social capital is an important factor in promoting return migrants' entrepreneurship activity and achieving positive economic result from their entrepreneurial activity. Finally, Murphy (2002) also highlights the contribution of migration working experience to returnees' business establishment in two counties in Jiangxi province. She supports that longer urban sojourns enable migrants not only to accumulate funds and gain management experience, but also to forge business contacts in the cities.

With a working experience outside their original hometown, return migrants supposedly bring back accumulated human capital and financial capital, which are perceived as potentially important channels for rural development in the sending region (Gmelch, 1980; Miracle and Berry, 1970; Murphy, 2002). Our aim here is to evaluate the role of return migration in a rural county (Wuwei county) in Anhui province that has traditionally been known as a county of a long labor export history as well as with a large quantity of enterprises established by return migrants. The county is famous for providing domestic service workers, as it has a long history of sending women laborers working as domestic service workers in Beijing since the beginning of the 1980s¹. The county is also known for its application of the policy of "Feng Huan Chao"² which is reported to have had a positive influence on the attraction of return migrants (Gao, 2001; Zhao, 2002)³. According to local official statistics, at the end of 2006, there were 420,000 rural migrants working outside the county, and up to 2006, about 10,000 return migrants had established their enterprises in the county upon return.

Following an important research field focusing on migrants' occupational change upon return, and on the higher propensity of returnees to become self-employed upon return (Ilahi, 1999; McCormick and Wahba, 2001; Dustmann and Kirchkamp, 2002; Mesnard, 2004; Piracha and Vadean, 2009), we explore the return migrants' post-return occupational choice behaviors in Wuwei County.

For doing so, we consider two types of occupational change induced by return migration. The first type refers to a comparison with non-migrants: do return migrants engage in different activities as compared to non-migrants because of their migration experience? Are they more likely to opt for self-employment as compared to their rural counterparts? The second type relates to the benefits that returnees themselves gain from their migration history: do return migrants experience occupational (upward) mobility upon return as compared to their own position before

¹ A saying was once quite popular in the society that "Domestic service workers in Beijing come from Anhui, while those domestic service workers of Anhui are from Wuwei".

² The policy of "Feng Huan Chao" (i.e., attracting the phoenixes to come back to their home nest) was launched in 1996 by the county government. Giving "foreign investment" advantages, the purpose of this policy is to attract those local out-migrants to return and contribute (by investing) to their hometown.

³ Zhao (2002) cites Wuwei county as an example of counties that have actively tried to "attract back migrant entrepreneurs". Referring to field interviews, she mentions that Wuwei county has invested in "infrastructure in order to make the local investment environment more attractive to returning entrepreneurs" (p. 377).

migration? What is the role of their past migration experience in determining their current occupation status and in driving their occupational mobility?

Based on an original rural household survey carried out in Wuwei County (Anhui province, China) in 2008, the paper empirically assesses these issues by using both a multinomial logit occupational choice model and a binary probit model. The survey covers four towns (Gaogou, Liudu, Dougou and Tanggou) in Wuwei county. About three administrative villages in each town and twenty households in average in each village were randomly selected. A total of 239 households were interviewed, providing information on 969 individuals with 147 returnees (15.17%) and 192 out-migrants (19.81%). A full description of the database is provided in the paper.

Three key findings are reached from the various steps in the analysis of the occupational choice behaviors by migration status. First, occupational choice between the various rural groups differs a lot, with return migrants truly having the highest propensity to be self-employed. Second, the high incentive for self-employment is closely related with migration experience in terms of savings accumulated and the number of job changes during the migration. Third, a clear upward occupation shift occurs in post-return period as compared to pre-migration stage, with 50% of return migrants moving to a higher quality (skilled work and self-employment) occupation in post-return period. After controlling for all possible influential factors, the length of stay during migration is found to significantly drive this positive movement. We also show that individual characteristics, household characteristics and community characteristics are important factors in determining rural individuals' occupational choice.

Section 6B (10:30am-12:00pm, English): Poverty and Welfare

Section Chair: **Hau Chyi**, WISE, Xiamen University, hauchyi@gmail.com.

[1] 10:30-11:00: Hau Chyi, WISE, Xiamen University, and Orgul Demet Ozturk, University of South Carolina, "Job Quality and the Economic Independence of Welfare Users," hauchyi@gmail.com.

Not all jobs are equal. There is a much talked about concept in the welfare literature of lousy and rosy jobs. In this paper, we study how job quality affects welfare user's economic Independence. We use four characteristics of a job from the latest Occupational projections and Training Database, including median earning level, forecast of employment growth, unemployment rate and ratio of part-time workers within an occupation, to represent the quality of a job. Economic independence is defined as having held a good job, i.e., a job that is full-time and pays more than state minimum wage, or a job that pays 85% of that but has employment related insurance, for more than four months. Using low-skilled single mothers from 1990, 1991, 1992, 1993, and 1996 Survey of Income and Program Participation panels, we find that quality of jobs do matter. Conditional on working, mothers working on a quality job not only are correlated with higher likelihood of economic independence, but also appear to have achieved it much faster. The importance of full-time work is also re-confirmed in the data. Even in the "worst job," a mother who has worked full-time for more than a year is twice more likely (40% as opposed to 20%) to achieve economic independence in 45 months than another mother who has only worked for a month of full-time in the same period of time.

[2] 11:00-11:30: Thomas Gries and Stefan Gravemeyer, "Poverty in Urban China: The Case of Shenzhen," University of Paderborn, thomas.gries@notes.upb.de.

The assessment and alleviation of poverty remains an urgent question throughout the globe. Especially urban poverty is gaining importance in China due to immense migration in recent years. In how far is migration related to poverty and does the factors that drag households into poverty differ between migrants and non-migrants? Do migrants face income discrimination resulting in poverty? Shenzhen, one of the most highly developed cities in mainland China with an unprecedented growth and a huge migrant population and huge income inequality is an especially interesting case. We use the Shenzhen household survey 2005 which explicitly includes migrants to investigate these questions. Using new purchasing power parity prices from the World Bank's International Comparison Project corrected by a regional expense basket we estimate poverty in Shenzhen. We find that grave poverty is low in Shenzhen but relative poverty is significant. We conduct Probit, Tobit and OLS regressions to examine the connections between migratory status and poverty. We find that migrants are much more endangered and the causes for poverty differ drastically from their non-migrant counterparts. A large part of the causes for poverty are of social nature or due to discrimination and will remain a problem for poverty alleviation.

[3] 11:30-12:00: Bernhard Boockman, Stephan L. Thomsen, and **Thomas Walter**,
“Intensifying the Use of Benefit Sanctions - An Effective Tool to Activate Welfare Recipients?” Centre for European Economic Research (ZEW Mannheim),
bernhard.boockmann@iaw.edu, stephan.thomsen@ovgu.de, walter@zew.de.

In the German welfare system, benefit sanctions are not imposed uniformly when recipients do not comply with their duties in the activation process. Rather, there is substantial discretion at the agency or caseworker level: some agencies frequently impose sanctions whereas others are less strict. Based on a unique new data set we use differences in sanction strategies across 154 welfare agencies in Germany as an instrumental variable to estimate the effect of a benefit cut on the drop-out from welfare and the transition to employment. Specifically, we estimate a local average treatment effect, i.e. the effect of a sanction on individuals not sanctioned in an agency with a moderate sanction strategy but sanctioned in an agency with a tough sanction strategy. This effect can be interpreted as an estimate of the effectiveness of a more intensive use of sanctions. Our results show that intensifying the use of sanctions would be quite effective to reduce welfare dependency and to enhance employment.

Section 6C (10:30am-12:00pm, English): Labor Market Trends

Section Chair: **Michael Orszag**, Watson Wyatt Worldwide, Inc.
mike.orszag@watsonwyatt.com

[1] 10:30-11:00: **Ping Ching Winnie Chan**, “Impact of the Recent Economic Downturn on the Canadian Labour Market,” Statistics Canada, winnie.chan@statcan.gc.ca.

One unique feature in the recent economic downturn is the speed of its transmission to the global economy since its onset in late 2007 from the U.S. In Canada, employment growth was slow but remained positive in the first three quarters of 2008. In October 2008, employment and GDP leveled off because of a large downturn in export due to weakened global economic conditions and continued to drop in November and December. The Canadian's Labour Force Survey (LFS) indicates that full-time employment dropped by 129,000 in January 2009 in Canada (more than three times compared to the expectation of 40,000 from the economic forecast then). Using the LFS data, this paper aims to answer the following question: who were most affected by the recent economic downturn and whether the impact is stronger in particular demographic groups or industrial sectors? Linking across the LFS data to

earlier years, the analysis is also possible to compare the characteristics of the laid-off workers in the current recession to those in the 1990/1991 and 1981/1982 recessions to examine if the job loss patterns were similar over time. By understanding on whom the job displacement effect was most severe, the findings can shed some light on the direction of policies targeting to the unemployed workers.

By pooling the population becoming unemployed between November to May in 2008/2009, the current findings shows that male workers, younger workers, and workers with lower education attainment were affected most. Among the immigrant population becoming unemployed, the impact was more concentrated among the recent immigrants.

By comparing the job-related characteristics, workers in smaller firms, with less than one year job tenure were more affected. Having union coverage lowered the probability of getting permanent layoffs, but not on temporary layoffs. Among the different industries, workers in construction, manufacturing (especially in motor vehicle sector), and building services were most affected, especially in receiving temporary layoffs.

Analyzing the different flow measures of labor movement (these flow measures the movement between paid employment, self employment, no-paid family business, unemployment, and not in labor force) during the sample period in more detail, a few interesting results between workers of different gender have been identified: First, male workers had a harder time keeping a paid employment (the proportion of male workers losing a paid employment during the sample period is 4.6 percent while that of female workers is 3.6 percent). However, male workers fared better than the female workers in keeping the job among the self employment (the proportion of male workers leaving self employment to unpaid position is 2.6 percent while that of female workers is 3.7 percent); Second, among the population leaving a paid employment, male workers are found to be more likely to become self employed than female workers (35 percent vs. 28 percent); Third, a higher proportion of female workers (64 percent) when moved from a working status (either paid or self employment) to a non-working status dropped out of the labor force instead of becoming unemployed with ongoing job search, while only 45 percent of male workers dropped out of the labor force when moved from a working to a non-working status.

The comparison with earlier recessions shows that more older workers and workers with higher education attainment became unemployed in the recent economic downturn. Comparing the trends from the workers remaining in paid employment, there is also an upward shift in the age distribution and education attainment of the Canadian workers. Such result suggests that the increased share of older workers and workers with higher education attainment among the population becoming unemployed is likely a result of the structural changes within our labor force over time rather than these groups being targeted more in the current recession.

[2] 11:00-11:30: Xin Meng, **Kailing Shen**, Sen Xue ⇔ “Economic Reform, Education

Expansion, and Earnings Inequality for Urban Males in China, 1988-2007,”

kailing.shen@gmail.com.

[3] 11:30-12:00: **Michael Orszag**, “The Wage Premium on Skilled Labor: How Will It Evolve in the Next Decade?” Watson Wyatt Worldwide, Inc.

mike.orszag@watsonwyatt.com

12:00pm-2:30pm: Lunch

Section 7A (2:30pm-4:00pm, English): Human Capital and Wage

Section Chair: **Wim Meeusen**, University of Antwerp (Belgium),
wim.meeusen@ua.ac.be.

[1] **2:30-3:00: Wei-dong Jin**, “Human Capital, Technical Advance and Economic Growth,” Shandong University of Finance and Economics,
jinweidong1117@gmail.com.

[2] **3:00-3:30: Wim Meeusen**, “The Estimation of the Efficiency Wage Effect,”
University of Antwerp (Belgium), wim.meeusen@ua.ac.be.

While the theoretical conceptualisation of efficiency wages as a source of structural involuntary unemployment has long been established, the empirical modelling “has proved to be extraordinarily difficult” (Lucas, 2003). The literature is abundant with very different, but not always totally convincing, empirical approaches to measuring efficiency wage effects. A famous example is the seminal paper by Krueger and Summers (1988) that gives evidence to a persistence of inter-industry wage differentials, even after controlling for industry-specific characteristics, and observable differences between workers. They attribute these differentials to efficiency wages because of the positive association between job tenures and wages. Others (Hendricks and Kahn, 1991; Campbell, 1993; Cappelli and Chauvin, 1991; Rebitzer 1995; Ewing and Payne, 1999) concentrate on providing specific evidence to a particular variant of the efficiency wages hypothesis (shirking, fairness, etc.), rather than on a test of the generic efficiency wage model itself. Finally, a number of studies (Kaufman, 1984; Blinder and Choi, 1990; Campbell and Kamlani, 1997; Agell and Lundborg, 1995, 2003; Franz and Pfeiffer, 2006) investigate the sources of wage rigidity, based on data from surveys at firm level. Fairness and labour turnover are found to lead to wage rigidity. However, these studies suffer from the classical drawbacks of survey-based research.

The empirical model that we present, on the contrary, gives explicit expression to the wage variable that is determined by factors of efficiency wages and union-firm wage bargaining. Since we have shown that this model is well-behaved, we can in principle examine whether the mutually reinforcing effect of these two mechanisms can satisfactorily explain the wage-setting process at the industry level in the OECD countries.

The model is derived from the theoretical framework by Meeusen *et al.* (2008). They take the view that employers, individual workers and unions use different points of reference. While the outside option for unions is the unemployment benefit, the reference option for firms is the market-clearing wage. Modelled in this way, the typical anomaly that arises in many models of efficiency wages is avoided, namely that wages would be determined by unemployment benefits. Additionally, the choice of a reference equilibrium wage is consistent with the literature that finds that the reference wage or income is more psychologically than materially founded (Fehr and Falk, 2002).

It follows that the wage can be set as a mark-up above the market-clearing wage, the mark-up being determined by a number of parameters, such as the replacement ratio, the production elasticity of labour, the elasticity of substitution between product varieties, and efficiency wage and bargaining power parameters. Further, the unemployment that arises in the model can also be described by these mark-up parameters, such that as a result, the wage rate can be written as a function of unemployment and the market-clearing wage. This leads to a relatively straightforward empirical model, the main remaining problem being the determination of the market-clearing wage rate. We model the latter at the intersection of the neoclassical labour supply and demand curves. The labour demand curve follows from the production technology, while the labour supply function is specified as a reduced form.

Ultimately the empirical model will be applied to 28 countries at the 2-digit NACE industry level. For 18 countries the database refers to the period 1970-2005 and for 10 countries to 1995-2005. This gives us the advantages of a relatively large database with the possibility to compare the results for various countries (we are aware of only one other study by Barth and Zweimuller (1992), which uses data for Norway, the US and Austria).

In the present paper we report on a few preliminary empirical results for a few countries and industries.

[3] 3:30-4:00: Bo Zhou, WISE, Xiamen University, bozhou98@gmail.com.

In this study we estimate the effects of three consecutive reforms on tuition regulation and waivers for poor and rural families from 2000 to 2006 in China on school enrollment. We find that tuition control has little effect on primary and junior-high school enrollment. However, tuition waivers, free-text books and living expense subsidies for the students from poor and rural families have a positive and statistically significant effect on school enrollment. Tuition waive for the children in other rural families has a statistically significant gender differential effect on school enrollment and is in girls favor.

Section 7B (2:30pm-4:00pm, English): Labor Market Outcomes of Immigrants

Section Chair: **Hubert Jayet**, University of Science and Technology of Lille,
Hubert.Jayet@univ-lille1.fr

[1] 2:30-3:00: Tony Fang, “Immigration, Ethnic Wage Differentials and Output Pay,”
York University, tonyfang@yorku.ca.

Accounting for immigration and language reduces the ethnic wage differential in Canada, becoming insignificant in the time rate sector and modestly positive in the output pay sector. Theory suggests that employers with prejudice that are unable to pay differential wages in the output sector will hire fewer minorities. A structural selection model indicates that minorities receive larger wage advantages from employment in the output pay sector and that this tends to attract minorities. At the same time, minority status itself makes them less likely to be observed in the output sector. We suggest this evidence fits a model in which output based pay reduces earnings latitude causing employer prejudice to be translated into reduced minority employment in the first place.

[2] 3:00-3:30: Brahim Boudarbat and Maude Boulet, “The Impact of Canadian Credentials on the Labour Market Outcomes of Immigrants in Canada,” University of Montreal, brahim.boudarbat@umontreal.ca.

Canadian immigrants face an important problem of lack of recognition of their foreign credentials. In this paper, we use data from the 2005 National survey of postsecondary graduates to evaluate the relative labour market outcomes of immigrants who obtain Canadian credentials after immigration. Our main results indicate that age at immigration is the main determinant of immigrant integration on the labour market even after obtaining a Canadian degree/diploma. Those who land very young generally perform as good as Canadian-born. We also find that male immigrants coming from Asia and Americas as well as female immigrants coming from Asia remain

underprivileged on the Canadian labour market even if they land young and/or obtain local qualifications.

- [3] **3:30-4:00: Hubert Jayet**, “Network Effects and the Location of Immigrants within the host Country: Evidence from Switzerland,” University of Science and Technology of Lille, Hubert.Jayet@univ-lille1.fr.

Section 7C (2:30pm-4:00pm, English): Determinants of Economic Outcomes

Section Chair: **Kailing Shen**, WISE, Xiamen University,
kailing.shen@gmail.com.

- [1] **2:30-3:00: Andrea Mühlenweg**, “Young and Innocent: International Evidence on Age Effects within Grades on School Victimization in Elementary School,” Centre for European Economic Research (ZEW Mannheim), muehlenweg@zew.de.

This study examines the impact of children’s age within grade on school victimization in elementary school. Identification of age effects relies on the instrumental variables approach drawing on official school entry age rules based on children’s month of birth. The empirical analysis uses the PIRLS data for 17 countries where such school entry age rules are effectively applied. Possible selection into compliance with official entry rules is taken into account via a control function approach. The study demonstrates that children are causally and significantly harmed by being the youngest within grade. Sub-group analysis reveals that the size of age effects on school victimization tends to be higher for boys than for girls as well as for children with an immigrant background compared to natives. The point estimates suggest that the age effect on school victimization is especially high in countries where there are also high effects on the cognitive outcome variable.

- [2] **3:00-3:30: Julia Horstschraer and Grit Muehler**, “Childcare and Child Development at School Entry,” Centre for European Economic Research (ZEW Mannheim),
hortschraer@zew.de, muehler@zew.de.

The aim of this paper is to estimate the causal effect of pre-school institutional childcare on child development at the time of school entry. In particular, we are interested in evaluating how the duration of childcare attendance is influencing child development measured half a year before the child enters school, i.e. at the age of six. We use unique administrative data from the school entry examination in one federal German state. The exogenous variation comes from variation in childcare supply rates on the regional level. Our results show a positive correlation between childcare and child development but a negative impact once the instrument is used. Although the results are preliminary and have to be interpreted with caution they seem to support the evidence from other studies.

- [3] **3:30-4:00: Yuan Emily Tang**, “A Re-Examination of the Relationship between Crime and Inequality: A Panel Analysis of United States Areas,” University of California San Diego, yetang@ucsd.edu.

In a panel analysis of United States areas, I investigate the contention that rising income inequality may increase crime rates. I first replicate findings from previous research that a strong positive correlation between local crime rates and local household income inequality appears across specifications in cross-section ordinary least squares regressions. I then demonstrate that the positive relationship between inequality and crime does not survive, and in fact reverses in some cases once local fixed effects are controlled for. I discuss and examine the

[3] 5:30-6:00: Hassan Essop and Derek Yu, “Alternative Definitions of Informal Sector Employment in South Africa,” Stellenbosch University, South Africa
dereky@sun.ac.za; essop@sun.ac.za

Section 8C (4:30pm-6:00pm, English): Life Satisfaction and the Economics of the Elderly

Section Chair: **Francesco Ferrante**, f.ferrante@caspur.it.

1] 4:30-5:00: **Shu Cai**, “Could Social Participation Delay Senescence on Cognition for the Elderly? Evidence from China,” Peking University, aofa.s.cai@gmail.com.

As rapid ageing in China, it is particularly important to study how to improve health well being of the elderly. The paper investigates the mental health impact of social participation. Estimates from models controlling for individual and province by year fixed effect suggest that participation in social activity has salutary effect on cognition of the elderly. More specific, social participation would reduce the possibility of onset of cognitive impairment by 2%-3%. Great disparities on the impact appear across different groups. People who are disadvantage in cognitive functioning benefit more if they could participate social activity. At last, we found that participation in social activity increase the availability of social support, which accounts for some mental health effect of social participation.

[2] 5:00-5:30 **Francesco Ferrante**, “Education, Aspirations and Life Satisfaction”,
Universita’ di Cassino, f.ferrante@caspur.it.

The idea that expanding work and consumption opportunities always increases people’s wellbeing is well established in economics but finds no support in psychology. Instead, there is evidence in both economics and psychology that people’s life satisfaction depends on how experienced utility compares with expectations of life satisfaction or decision utility. In this paper I suggest that expanding work and consumption opportunities is a good thing for decision utility but may not be so for experienced utility. On this premise, I argue that people may overrate their socioeconomic prospects relative to real life chances and I discuss how systematic frustration over unfulfilled expectations can be connected to people’s educational achievement. I test the model’s predictions on Italian data and find preliminary support for the idea that education and access to stimulating environments may have a perverse impact on life satisfaction. I also find evidence that the latter effect is mediated by factors such as gender and age. Indeed, the model seeks to go beyond the Italian case and provide more general insights into how age/life satisfaction relationships can be modelled and explained.

[3] 5:30-6:00: **Chao Jiang**, “How Would Non-Adult Grandchildren Affect Living Arrangements of the Elderly? Evidence from CHARLS,” Peking University,
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In this paper, we use proper controls, saturated regression model and IV method, to explore how non-adult grandchildren would affect living arrangements of the elderly in China. We hypothesize that non-adult grandchildren would cause the elderly to take care of grandchildren, and consequently influence living arrangements of the elderly. First, with the help of proper controls and saturated regression model, we find presence of non-adult grandchildren would lower probability of living alone by 15.1%, and increase probability of having

children living in the same/adjacent house by 7.08% for the elderly. Secondly, we prove that old people's care towards grandchildren is the only channel through which presence of non-adult grandchildren can influence living arrangements of the elderly. Finally, we use presence of non-adult grandchildren as instrument variables for taking care of grandchildren, finding that taking care of grandchildren would lower probability of living alone by 25.6%, and increase probability of having children living in the same or adjacent house by 12.9% for the elderly. According to above results, we Living arrangements of the elderly can be seen as negotiated exchange between the elderly and children, where the elderly take care of grandchildren, in return for living together with children.

6:00pm-8:00pm: Dinner

December 14, 2009

8:00am-1:00pm, Sight-seeing to Gu-Lang Island

8:00am: Bus Departure at the Front gate of Yi-Fu Building

12:00: Lunch

1:00pm, Bus Return to Xiamen University