



# Programme



**IAAEU**  
Institute for Labour Law  
and Industrial Relations  
in the European Union

**Workshop on Labour Economics 2018**  
Institute for Labour Law and Industrial Relations in the European Union | Trier University



# Workshop on Labour Economics 2018

13<sup>th</sup> – 14<sup>th</sup> April 2018

## Venue:

Institute for Labour Law and Industrial Relations in  
the European Union (IAAEU)  
Trier University, Campus II  
Behringstraße 21  
54296 Trier



## **Welcome to the Institute for Labour Law and Industrial Relations in the European Union**

The Institute for Labour Law and Industrial Relations in the European Union (IAAEU) was established as a public foundation in 1983 and is funded by the state government of Rhineland-Palatinate. While being a public foundation, the IAAEU is also a research institute of Trier University and is situated in the heart of the Petrisberg Technology Park on Campus II. The IAAEU comprises two working groups of which one engages in research in the area of European labour law (Legal Team) and one engages in the theoretical and empirical analysis of personnel and labour economic issues (Economic Team). Depending on the research questions and the available data the economists rely on experimental data drawn from the experiments conducted in the institute's laboratory or on survey and corporate data. Since January 2012 Laszlo Goerke is one of the directors of the IAAEU and head of the Chair of Personnel Economics at Trier University. He is also a research fellow of the Institute of Labor Economics (IZA) and the CESifo Group Munich.

For detailed information have a look at our website: <http://www.iaaeu.de/en>

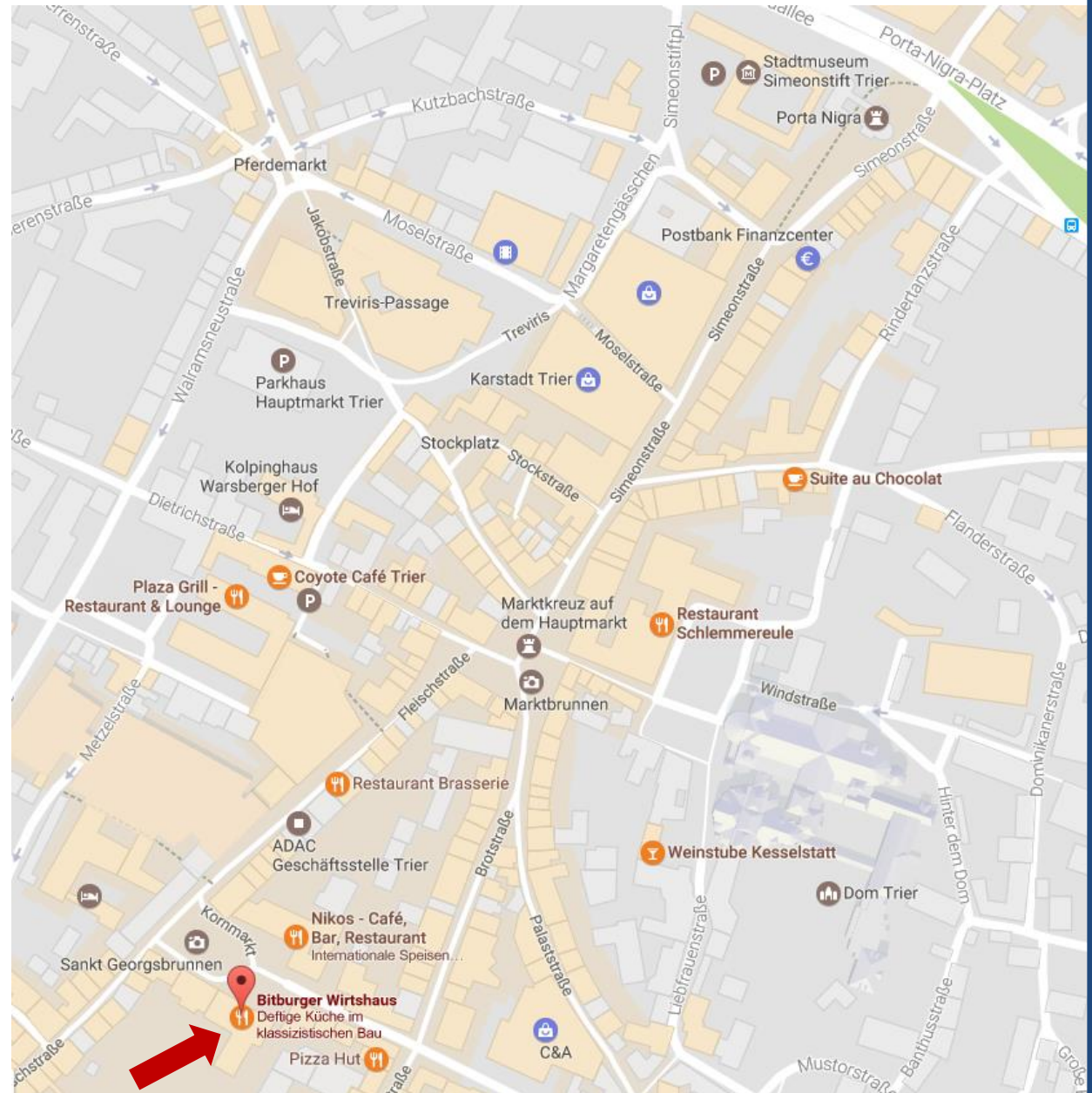


April 12<sup>th</sup> 2018  
19:30 Get Together

**Venue:**

Bitburger Wirtshaus  
Kornmarkt 1 – 3  
54290 Trier

Tel.: +49 (0) 651 43 61 88 0  
[www.wirtshaus-trier.de](http://www.wirtshaus-trier.de)



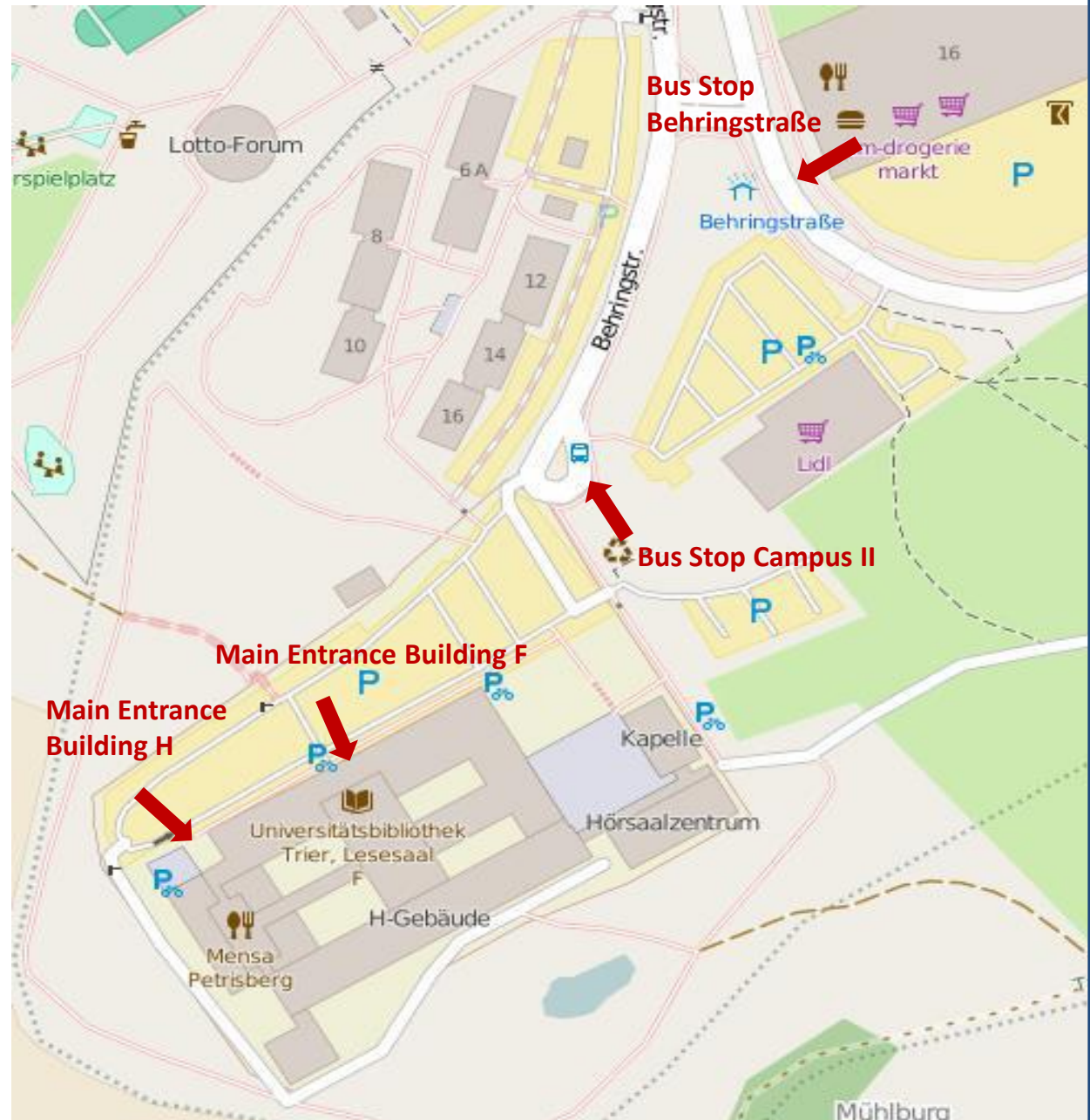
# April 13<sup>th</sup> and 14<sup>th</sup> 2018 WLE 2018

## Venue:

IAAEU  
Trier University, Campus II (Building H)  
Behringstraße 21  
54296 Trier

## Meeting Rooms:

H 714 (Building H, 7<sup>th</sup> Floor)  
H 730 (Building H, 7<sup>th</sup> Floor)





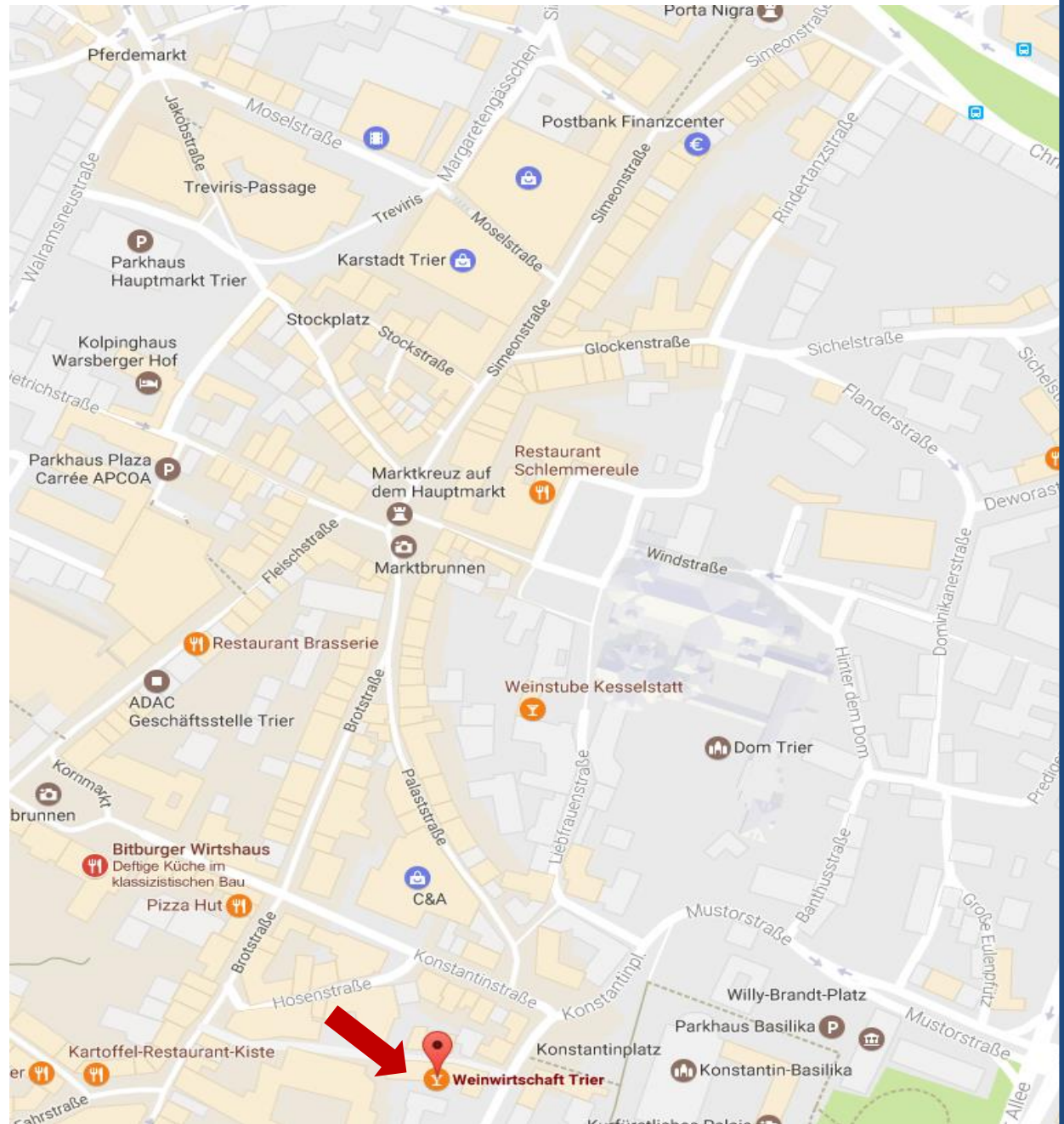
# April 13<sup>th</sup> 2018

## 20:00 Conference Dinner

### Venue:

Weinwirtschaft Friedrich-Wilhelm  
Weberbach 75  
54290 Trier

Tel.: +49 (0) 651 99 47 48 00  
[www.weinwirtschaft-fw.de](http://www.weinwirtschaft-fw.de)



# Schedule – Workshop on Labour Economics 2018

## Thursday, April 12<sup>th</sup> 2018

19:30 Get together at *Bitburger Wirtshaus* (Kornmarkt 1 – 3, 54290 Trier)

## Friday, April 13<sup>th</sup> 2018

08:00 – 08:30

Registration

08:30 – 08:45

Welcome and Opening

08:45 – 10:05

Parallel Session I

10:05 – 10:25

Coffee Break

10:25 – 11:45

Parallel Session II

11:45 – 12:45

Lunch (organised)

12:45 – 13:25

Session III (Poster Session)

13:25 – 14:45

Parallel Session IV

14:45 – 15:00

Coffee Break

15:00 – 16:20

Parallel Session V

16:20 – 16:40

Coffee Break

16:40 – 18:00

Parallel Session VI

18:15 – 19:45

Wine Tasting

20:00

Conference Dinner at *Weinwirtschaft Friedrich-Wilhelm* (Weberbach 75, 54290 Trier)

# Schedule – Workshop on Labour Economics 2018

## Saturday, April 14<sup>th</sup> 2018

09:15 – 10:35	Parallel Session VII
10:35 – 10:55	Coffee Break
10:55 – 12:55	Parallel Session VIII
12:55 – 13:00	Best Paper Award
13:00	Farewell Lunch

All sessions will take place at IAAEU, Trier University, Campus II, Building H, 7<sup>th</sup> floor, in rooms H714 and H730.

# Programme – Friday, April 13<sup>th</sup>

08:00 – 08:30

Registration

08:30 – 08:45

Welcome and Opening

08:45 – 10:05

PARALLEL SESSION I

**Session I (a), H714: Public Economics**

**Max Friese:** “Should unemployment insurance be centralized in a state union?”  
(Discussant: *Christian Holzner*)

**Christian Holzner:** “Understanding the role of the public employment agency”

**Session I (b), H730: Health Economics**

**Birgit Leimer:** “No ‘Honeymoon Phase’: Whose health benefits from retirement and when”  
(Discussant: *Volker Meier*)

**Otto Lillebø:** “Spousal responses to health shocks: Effects on labor supply and social insurance”  
(Discussant: *Lia Pacelli*)

10:05 – 10:25

Coffee Break

# Programme – Friday, April 13<sup>th</sup>

10:25 – 11:45

## PARALLEL SESSION II

### Session II (a), H714: Skill Formation

**Fabio Berton:** “Collective bargaining and skill formation: Evidence from mixed methods”

**Balázs Reizer:** “Gender differences in skill content of jobs”

### Session II (b), H730: Spatial Economics

**Christopher Polchow:** “The stepping-stone effect of low-wage employment in regional labor markets”

*(Discussant: Duncan Roth)*

**Duncan Roth:** “The regional effects of a national minimum wage”

11:45 – 12:45

Lunch (organised)

# Programme – Friday, April 13<sup>th</sup>

12:45 – 13:25

## SESSION III (POSTER SESSION)

**Nicolas Apfel:** “The effect of immigration on innovation”

**Luca Fumarco:** “Within-age-group maturity differences effects on adolescents’ wellbeing”

**Alexander Günther:** “Explaining jobless recoveries: The role of financial frictions”

**Konstantin Homolka:** “Little lies and blind eyes – Experimental evidence on the implications of cheating for team performance”

**Kelsey J. O'Connor:** “Psychology affects unemployment: Evidence from happiness panel data”

13:25 – 14:45

## PARALLEL SESSION IV

### Session IV (a), H714: Employment Protection

**Yann Thommen:** “Employment protection reform in European labor markets: The collective bargaining regime matters”

*(Discussant: Bernardo Fanfani)*

**Chiara Ardito:** “Employment protection legislation and hiring incentives: A tale of two reforms”

### Session IV (b), H730: Occupational Transitions

**Bihemo Kimasa:** “Equilibrium reallocation of skilled labor and the dynamics of firms”

*(Discussant: Fabio Berton)*

**Eman Abdulla:** “Understanding the short, medium and long term consequences of recessions on occupational transitions”

*(Discussant: Balázs Reizer)*

# Programme – Friday, April 13<sup>th</sup>

14:45 – 15:00      Coffee Break

15:00 – 16:20      **PARALLEL SESSION V**

## **Session V (a), H714: Minimum Wages**

**Karsten Staehr:** “Minimum wages and employment retention. A microeconomic study for Estonia”

**Mario Bossler:** “Employment adjustments following rises and reductions in minimum wages: New insights from a survey experiment”

## **Session V (b), H730: Child Care Policies**

**Franziska Zimmert:** “Does the availability of public child care impact working hour preferences?”  
(*Discussant: Gergely Horváth*)

**Yuliya Kazakova:** “Childcare availability and mother’s labour supply in Russia”  
(*Discussant: Iryna Kyzyma*)

16:20 – 16:40      Coffee Break

# Programme – Friday, April 13<sup>th</sup>

16:40 – 18:00

## PARALLEL SESSION VI

### Session VI (a), H714: Matching Theory

**Gergely Horváth:** “The impact of social segregation on the labor market outcomes of low-skilled workers”

**Volker Meier:** “Short-time work subsidies in a matching model”

### Session VI (b), H730: Employment Outcomes

**Lia Pacelli:** “Labor market liberalization and successful return to work for Italian injured workers”

**Patrick Maier:** “The relationship between performance appraisals, target agreements, and work engagement”

*(Discussant: Mario Bessler)*

18:15 – 19:45

**Wine Tasting**

20:00

**Conference Dinner**

(Bus transfer will be organised.)



# Programme – Saturday, April 14<sup>th</sup>

09:15 – 10:35

## PARALLEL SESSION VII

### Session VII (a), H714: Immigrants

**Sevak Alaverdyan:** “Why do migrant workers rely more often on referrals?”  
(Discussant: Max Steinhardt)

**Max Steinhardt:** “Language proficiency and homeownership: Evidence from U.S. immigrants”

### Session VII (b), H730: Discrimination and Dismissals

**Bernardo Fanfani:** “Tastes for discrimination in monopsonistic labour markets”

**Laura Khoury:** “Unemployment benefits and the timing of dismissals: Evidence from bunching at a notch in France”  
(Discussant: Chiara Ardito)

10:35 – 10:55

Coffee Break

# Programme – Saturday, April 14<sup>th</sup>

10:55 – 12:55

## PARALLEL SESSION VIII

### Session VIII (a), H714: Generations, Children and Education

**Iryna Kyzyma:** “Intergenerational mobility in Germany: Levels and trends”

**Nina Schwarz:** “The long-term effects of long terms: Compulsory schooling reforms in Sweden”  
(Discussant: Mario Mechtel)

**Mario Mechtel:** “Do children cooperate conditionally? Adapting the strategy method for first-graders”

### Session VIII (b), H730: Employment Effects

**Stefanie Seele:** “No role for the Hartz reforms? Demand and supply factors in the German labor market, 1993-2014”  
(Discussant: Andrea Albanese)

**Andrea Albanese:** “Unemployment benefits and layoffs: Evidence from Italy”

**Ivan Zilic:** “Working for 200 euro? The effects of a large-scale traineeship reform on labor market outcomes in Croatia”  
(Discussant: Karsten Staehr)

# Programme – Saturday, April 14<sup>th</sup>

**12:55 – 13:00**      **Best Paper Award**

**13:00**              **Farewell Lunch**

## **Instructions for Presenters, Discussants and Chairs:**

The last speaker will chair the session. The first speaker keeps time during the chair's presentation. The name in brackets (*Discussant: Name*) after some presentations is the assigned discussant. We scheduled 40 minutes for each paper:

- PhD students (with discussion): 25 minutes for your presentation, 5 minutes for assigned discussant and 10 minutes for questions.
- All other presenters: 30 minutes for your presentation and 10 minutes for questions.

Please keep in mind to bring your presentation on a USB stick in a common file format such as .ppt or .pdf.

# Organisational Information

## Internet Access:

### via the *eduroam* network:

- Please make sure your WLAN function is enabled.
- Select “eduroam” and click “Connect”.
- Log in with your own university account.

### with guest account:

- Follow instructions from the organisers.

## Directions from downtown Trier to the workshop venue:

On Friday: **Bus 4** towards “Irsch Hockweiler Str.” or **Bus 14** towards “University Campus II” (both from the main station bus platform 4 or from the Porta Nigra bus platform 1) to the “University Campus II”, travel time from the Porta Nigra: about 20 min., from the main station: about 15 min.

### *Recommended bus:*

**Bus 4:** Departure at Porta Nigra on April 13<sup>th</sup>: 07:43 am (Arrival: 08:03am)

**Bus 4:** Departure at main station on April 13<sup>th</sup>: 07:46 am (Arrival: 08:03am)

On Saturday: **Bus 85** towards “Pluwig, Ruwerstraße” (from main station bus platform 5) to “Behringstraße”.

### *Recommended bus:*

Departure at main station on April 14<sup>th</sup>: 08:45am (Arrival: 09:00 am at station “Behringstraße”)

(Please note that there is no direct connection from the Porta Nigra to Campus II on Saturdays!)

# Abstracts

## Session I (a): Public Economics

**Robert Fenge, Max Friese:** “Should unemployment insurance be centralized in a state union?”

This paper compares the decentral organization of unemployment insurance in member states of a state union with the central organization at the upper union’ level. In a model of two countries the labor force and the firm owners can migrate between the states and labor markets exhibit unemployment due to trade union’s bargaining about the wage rate. In a decentral scenario the states organize independently unemployment insurance and decide about the rate on wages contributed to the insurance budget. Due to open borders they have to take account of migration effects. However, each government chooses a fair contribution rate such that workers are fully insured against unemployment. In the central scenario the governments overestimate the effects of the contribution rate on the common insurance budget of both countries. This leads also to a less than socially optimal contribution rate.

**Christian Holzner, Makoto Watanabe:** “Understanding the role of the public employment agency”

The Public Employment Agency (PEA) provides intermediation services in the labor market. We investigate the implications of having such an additional market place using a tractable search model. The intermediation services enable registered firms to pay lower wages compared to the private market. Paying lower wages leads to adverse selection. When deciding whether or not to register with the PEA firms have to trade off the negative selection of applicants coming through the PEA with the lower wages possible at the PEA. This explains why only a fraction of firms use the PEA as search channel although it is free of charge. Our model also suggests which job-types are more likely to be registered with the PEA. We test these theoretical predictions empirically using the German Job Vacancy Survey and the German Socio Economic Panel and find strong support for them.

# Abstracts

## Session I (b): Health Economics

**Birgit Leimer:** “No ‘Honeymoon Phase’: Whose health benefits from retirement and when”

I use a fixed effects instrumental variable approach to determine the effect retirement has on health. The exogenous variation in the probability to retire at the normal and early retirement age thresholds is exploited to instrument for the otherwise endogenous retirement decision. Six health aspects are considered: self-assessed health, depression, limitations in (instrumental) activities of daily living, mobility limitations, grip strength and number of words recalled. Using data for 10 countries from the Survey of Health, Retirement and Ageing in Europe (SHARE), I find that retiring both at the normal and early retirement eligibility ages significantly improves all health aspects, including the objective measure grip strength. Results do not generally support the theory that previous research was biased towards zero due to behavioral changes during the anticipation phase prior to retirement. Results also do not show the presence of a honeymoon phase directly following the start of retirement, in which individuals are believed to experience a euphoric state leading to health improvements. It appears that individuals, especially blue collar workers, go through an adjustment period after retirement in which they experience more health problems, before stabilizing and improving. Overall, retirement has a health preserving effect for both genders and all occupations in the long term. Neither blue collar workers nor workers with physically or psychologically demanding jobs benefit more from retirement than others.

**Arild Aakvik, Tor Helge Holmås, Otto Sevaldson Lillebø:** “Spousal responses to health shocks: Effects on labor supply and social insurance”

In this paper, we study the effect of fatal and non-fatal health shock on spouses’ labor supply. Combining unique Norwegian administrative data with the unexpected timing of a health shock, we exploit the panel structure of our data by comparing individuals whose spouse experiences a health shock at different points in time. The results suggest that the employment and earnings of individuals whose spouse experiences a fatal health shock decrease. However, we find negligible effects on individuals’ labor supply when a spouse experiences a non-fatal health shock. The results hold across different types of education but are more pronounced at younger ages and for widows. We show that the death of a spouse results in large transfers of liquid assets for widows and widowers, but that only widowers increase their uptake of social insurance. The results suggest that heterogeneity and measures of liquid assets help explain how individuals react to a sudden and unexpected drop in household income.

# Abstracts

## Session II (a): Skill Formation

**Fabio Berton, Anna Carreri, Francesco Devicienti, Andrea Ricci:** “Collective bargaining and skill formation: Evidence from mixed methods”

The standard economics view suggests that steps to improve a country’s competitiveness include a general emphasis on deregulation and decentralization of industrial relations. In this paper, we contribute to this debate by studying how firm-level collective agreements affect workplace training, a key ingredient to competitiveness. Theoretically, firm-level bargaining may affect workplace training in many ways, but quantitative analysis is usually ill equipped to provide an adequate account of them. This is where our paper mostly contributes. In the spirit of opening the “black box” of firm-level bargaining, we mix together quantitative and qualitative strategies. Following a sequential research design, our results suggest that decentralized collective agreements favor workplace training inasmuch as they grant to employers the access to dedicated financing schemes.

**Rita Petö, Balázs Reizer:** “Gender differences in skill content of jobs”

More than half of the gender wage gap can be attributed to differences in wages within occupation. Using the PIAAC survey, we show that women do less skill intensive tasks than men even within the same occupations. The gap in skill intensity cannot be explained by differential firm characteristics nor differences in cognitive skills. Instead, we show that skill intensity gap at the workplace is explained by the time spent in home production and the skill usage at home. These empirical findings are consistent with a self-fulfilling equilibrium where statistical discrimination of firms causes gender differentials in skill use at the workplace and at home at the same time.

# Abstracts

## Session II (b): Spatial Economics

**Christopher Polchow:** “The stepping-stone effect of low-wage employment in regional labor markets”

This study examines the stepping-stone effect of low-wage employment for low-qualified individuals in Germany. In particular, I analyze how transitions into high-wage employment from unemployment and low-wage employment vary with the regional unemployment rate. Making use of a large German administrative data set, I apply Hamiltonian Monte Carlo Sampling algorithms to fit a dynamic multilevel multinomial logit model with correlated random effects. My results indicate a small stepping-stone effect of low-wage employment into high-wage employment when the unemployment rate is low. However, when regional unemployment grows, the advantage of having a low-wage job compared to staying unemployed becomes more pronounced.

**Gabriel M. Ahlfeldt, Duncan Roth, Tobias Seidel:** “The regional effects of a national minimum wage”

We estimate the spatially differential effects of a nationally uniform minimum wage that was introduced in 2014 in Germany. To this end, we use a micro data set covering the universe of German workers from 2011 to 2016 and a differences-in-differences based identification strategy that controls for heterogeneity in pre-treatment outcome trends. We find that the policy led to spatial wage convergence, in particular in the left tail of the distribution, without reducing relative employment in low-wage regions. The policy appears to have reduced incentives for workers to relocate across low-wage regions, but not necessarily migration from low-wage to high-wage regions.



# Abstracts

## Session III (Poster Session)

**Nicolas Apfel, Alexander Lauf:** “The effect of immigration on innovation”

This work presents a knowledge production framework where the effect of immigration on innovation is decomposed into transaction costs, productivity effects of skill groups and spillovers due to complementarity of diverse cultures. We propose empirical models to identify innovation-increasing effects and transaction costs separately. We deal with the problem of endogenous technology by assuming technology is proportional to previous technology and knowledge. A discussion of further methodological issues and the choice of suited estimators is included. This paper also adds onto the empirical literature by providing estimates of the impact of immigration on innovation using a German county-panel.

**Luca Fumarco:** “Within-age-group maturity differences effects on adolescents’ wellbeing”

We contribute to the quickly expanding literature on relative age effects (RAEs) in pupils’ (non-cognitive) skill formation. More concretely, we are the first to investigate RAEs on students’ social network, as proxied by frequency of e-communication with friends. This RAE is estimated based on the Health Behaviour in School-Aged Children (HBSC) survey comprising the relevant information on about 350,000 European adolescents. These data allow to control, differently from most former contributions, for season-of-birth confounders, and to obtain results that are more representative. We find that the younger students within a class e-communicate less frequently than their relatively older peers.

# Abstracts

## Session III (Poster Session)

**Alexander Günther, Benjamin Schwanebeck:** “Explaining jobless recoveries: The role of financial frictions”

We develop a monetary DSGE model in which the labor market is characterized by search and matching process while firms need external funds for their input factors. Moreover, we differentiate between intertemporal loans for capital acquisition and intraperiod working capital loans for paying the wage bill, hiring and vacancy posting costs. Our analysis shows that financial friction on the labor margin, especially on vacancy or hiring costs, seems to be crucial in order to generate jobless recoveries as in the Euro area.

**Adrian Chadi, Konstantin Homolka:** “Little lies and blind eyes – Experimental evidence on the implications of cheating for team performance”

We empirically investigate how cheating affects task performance in groups of workers. Testing the idea of an honest workplace environment as a positive factor in economic outcomes, we analyze how three individuals perform a real-effort task to receive pay based on group output, while two of them can obtain an additional bonus through cheating. By varying the rules of the bonus game, we randomly prevent cheating or not. While the opportunity to cheat is exploited in almost half of the cases, we are particularly interested in the bystander’s willingness to provide effort. On average, when the opportunity to cheat exists, we find neither a drop in performance of the group in general, nor do we observe a reduction in the performance of the bystander in consequence of cheating. To better understand this result, we discuss effect heterogeneity related to information preferences. In fact, for those bystanders with strong preferences for inconvenient information (‘information seekers’), the realization of dishonesty among group members seems to increase their willingness to free-ride, in comparison to those with lower information preferences. These ‘information avoiders’ successfully turn a blind eye to the unethical action of their co-workers and keep task performance high.

# Abstracts

## Session III (Poster Session)

*Kelsey J. O'Connor*: “Psychology affects unemployment: Evidence from happiness panel data”

Psychological measures are gaining recognition as important determinants of labor performance. This paper demonstrates that people reporting greater subjective well-being (SWB) are less likely to be unemployed in the future and with a meaningful magnitude. Also shown, the relation is quadratic and substantially larger for people who are concurrently unemployed. The channels include changes in the Big-Five personality traits. Within-person increases in extraversion or emotional stability, for example, are associated with increases in SWB. Results are based on separate dynamic and fixed-effects regressions, and supported by generalized methods of moments estimation. The data come from the German Socio-Economic Panel (1997-2013).

# Abstracts

## Session IV (a): Employment Protection

**Yann Thommen:** “Employment protection reform in European labor markets: The collective bargaining regime matters”

Several European countries are looking for an ideal system of employment protection. We use a matching model with endogenous job destruction to compare labor market outcomes under firm-level and sector-level bargaining, following the implementation of the U.S. system known as "experience-rating", which induces firms to internalize layoff fiscal costs. We observe the effects when the experience-rating system is juxtaposed with the traditional system of employment protection and when it replaces it. We show with numerical exercises that, whatever the scenario of reform, the implementation of an experience-rating system improves labor market performance under both firm-level and sector-level bargaining regime. Because of the possibility for firms to adjust the conditions of employment in decentralized negotiations, juxtaposing the two systems is more effective under firm-level bargaining regime. The lack of internal flexibility in sector-level bargaining implies that substituting both systems is more efficient.

**Chiara Ardito, Fabio Berton, Lia Pacelli:** “Employment protection legislation and hiring incentives: A tale of two reforms”

A very recent and debated Italian labor market reform introduced a (temporary) generous subsidy for firms hiring workers with an open-ended contract and reduced (open-endedly) the protection for workers from firing in large firms. By using administrative micro data on the universe of job flows occurred in Piedmont, one of the largest Italian regions, we aim at assessing the impact of a reduction in labor cost and employment protection legislation on turnover and employment by exploiting quasi-experimental conditions implied by two labor market reforms. The two reforms can indeed be identified separately thanks to their different timing within a difference-in-differences framework. Preliminary results show that both reforms, namely a rebate in social security contributions and a reduction of firing costs for new open-ended contracts, had a positive and significant effect on hiring rates with an open-ended contract, where the driving force seem to be the hiring incentive. In fact, the reduction in social security costs raised both open-ended hiring and conversions from fixed-term to open-ended contracts independently from the reduction of firing costs, which in turn seem to play a marginal role in boosting employment. On the contrary, after the reduction in employment protection, duration of new contracts has reduced and firing rate increased, and though very preliminary, the overall effect on net open-ended job creation seem to be zero only thanks to the net positive creation induced by the monetary incentive.

# Abstracts

## Session IV (b): Occupational Transitions

***Bihemo Kimasa:*** “Equilibrium reallocation of skilled labor and the dynamics of firms”

Using German establishment data on occupational labor market flows, I show that establishments reallocate more jobs than previously documented. I find a substantial amount of excess job reallocation at the level of the establishment. Aggregate excess job reallocation can be decomposed into within- and between-establishment components. I find that the within-establishment component is significant, suggesting that occupational shocks different from those that lead to net expansion and contraction of establishments are a source of job reallocation. I show that they matter for worker reallocation as well. I further explore these dynamics in a directed-search model of firm dynamics where low- and high-skilled labor are imperfectly substitutable in production. Firm-specific common and occupational shocks drive the dynamics of firms, job upgrading and labor market flows. I separate the roles of the two shocks and quantify the effects of skill polarization and gains of a hiring subsidy for low-skilled labor.

***Eman Abdulla:*** “Understanding the short, medium and long term consequences of recessions on occupational transitions”

This paper examines how workers in different occupations are affected in recessions by studying job loss and its aftermath on the workers' re-employability and career destination at an occupational level. Using the Sample of Integrated Labour Market Biographies (SIAB), a rich daily record of social security data from Germany for the period 1975 to 2010 and German business cycle chronology, I classify occupations into four broad categories and perform a difference in differences evaluation. I track those workers for a span of 18 months after the recession ends and apply an identical estimation strategy to examine how pre-job loss occupations influence the job finding and occupational switching probabilities. The results show that, unlike the U.S., workers in manual professions, those at the bottom of the skill distribution, experience higher probability of job loss in recessions and the probability of finding a job declines by 11 percentage points in recoveries. I rationalize this behaviour with labour hoarding and occupational downgrading as a complement to Routine Biased technological change.

# Abstracts

## Session V (a): Minimum Wages

**Simona Ferraro, Birgit Hänilane, Karsten Staehr:** “Minimum wages and employment retention. A microeconomic study for Estonia”

This paper assesses how increases in the Estonian minimum wage in 2013-2016 impacted the probability of workers at different wage levels retaining employment. The effect is identified by comparing the probability of workers remaining employed after increases in the minimum wage in 2013-2016 with the probability of workers at comparable wage levels remaining employed in the period 2009-2011 when the minimum wage was constant. Estimations using data from the Estonian Labour Force Survey show that the increases in the minimum wage in 2013-2016 did not adversely impact employment retention for the workers directly affected and nor for the workers that may have been indirectly affected. These results are robust to the choice of control variables, to refinements of the treatment group, and to changes in the time sample.

**Mario Bossler, Michael Oberfichtner, Claus Schnabel:** “Employment adjustments following rises and reductions in minimum wages: New insights from a survey experiment”

The effects of large minimum wage increases, like those planned in the UK and in some US states, are still unknown. We conduct a survey experiment that randomly assigns increases or decreases in minimum wages to establishments in Germany and asks the personnel managers about their expectations concerning employment adjustments. We find that employment reacts asymmetrically to positive and negative changes in minimum wages. The larger the increase in the minimum wage is, the larger the expected reduction in employment. Employment adjustments are more pronounced in those industries and plants which are more strongly affected by the current minimum wage and in those plants that have neither collective agreements nor a works council. In contrast, employment is not found to increase if the minimum wage is reduced by about 10 percent. This mainly reflects that plants with works councils and collective agreements would not cut wages.

# Abstracts

## Session V (b): Child Care Policies

**Franziska Zimmert:** “Does the availability of public child care impact working hour preferences?”

There is a growing literature on evaluating the effectiveness of subsidized child care not only on parental, mainly maternal, outcomes, but also on the child’s development. However, empirical studies cannot unanimously support a positive causal relationship between subsidized child care and female employment outcomes. We further inform these debates by examining not only how actual, but also how preferred working hours and the mismatch between those two measures are affected by an expansion of public child care. Furthermore, we analyze the German labor market as an interesting example for the persistence of traditional employment patterns. Using the legal claim for subsidized child care introduced in Germany in August 2013 for children aged one to three years, we apply a difference-in-differences estimator combined with matching to examine maternal labor market outcomes.

**Yuliya Kazakova:** “Childcare availability and mother’s labour supply in Russia”

Over the past 15 years, Russia has experienced an increase in childcare enrolment from 55% to 66.2%, reflecting an increase in childcare availability that was rolled out unequally across Russian regions - the enrolment rate has increased from less than 1% in some regions to almost 35% in other regions. I use this variation across regions over time to evaluate the effect of extending childcare availability on mothers' labour outcomes. I find that an increase in childcare availability has a positive and significant effect on maternal employment both at the intensive margin and at the extensive margin. A set of robustness checks confirm the validity of the identification strategy and the results.

# Abstracts

## Session VI (a): Matching Theory

**Gergely Horváth:** “The impact of social segregation on the labor market outcomes of low-skilled workers”

We study the impact of social segregation on labor market outcomes in a search and matching model where workers can find a job on the formal market or through their social contacts. There are two worker types, low-skilled workers have lower productivity and fewer job opportunities than high-skilled workers. The homophily level determines whether the job referral networks of the two types are mixed or segregated from each other, and in this way affects the job finding rates of unemployed workers. We show that there exists an intermediate homophily level that minimizes the unemployment rate and maximizes the wages of low-skilled workers. Further decreasing the homophily level does not improve the labor market outcomes of low-skilled workers because their unemployment rate and wages can be equal in a very segregated and an integrated society. We also study the impact of integration when it increases the productivity of low-skilled workers. We show that in this case the labor market outcomes of low-skilled workers can be improved by integration. We argue that the model can explain the empirical findings related to the labor market effects of the Moving-to-Opportunity experiment and the social integration of immigrant workers.

**Volker Meier:** “Short-time work subsidies in a matching model”

We consider positive and normative aspects of subsidizing work arrangements where subsidies are paid in time of low demand and reduced working hours so as to stabilize workers' income. In a matching framework such an arrangement increases labor demand. Tightening eligibility to short-time work benefits tends to reduce the wage while the impact on unemployment seems ambiguous. We develop a modified Hosioscondition characterizing an efficient combination of labor market tightness and short-time benefit loss rate.



# Abstracts

## Session VI (b): Employment Outcomes

**Monica Galizzi, Roberto Leombruni, Lia Pacelli:** “Labor market liberalization and successful return to work for Italian injured workers”

We explore whether a successful return to work (RTW) after an occupational injury is shaped by the degree of labor market regulation. We exploit policy reforms introduced in Italy after 1998 to increase labor market flexibility. They reduced unemployment but also job security. We investigate whether these effects were observable also among injured workers. We define a RTW as successful if the worker is still employed 1 to 3 years since RTW. We further distinguish between RTW at the preinjury firm or at a different one under a “good” or “bad” contract in terms of job security. We explore a database that combines matched employer-employee data with records from the Italian workers’ compensation agency. We estimate conditional probabilities of the mentioned outcomes. We break down the analysis by pre, during, and post labor market reforms years. We study whether employment protection legislation (EPL) and individual human capital affect outcomes. After liberalization reforms, job security decreased particularly for injured workers who were hired with a temporary contract, even when they worked in large firms where EPL was stronger. A successful RTW started to depend on individual’s human capital: both temporary and permanent contract injured workers lost protection if they earned low preinjury wages. Women and immigrants were penalized more. Finally, the more severe the injury the higher the probability of being unemployed, regardless of the reforms. Labor market deregulation decreases long-term job security of low wage injured workers; preinjury individual characteristics become stronger predictors of successful RTW than firms’ characteristics.

**Patrick Kampkötter, Patrick Maier:** “The relationship between performance appraisals, target agreements, and work engagement”

Appraisal interviews and target agreements are among the most common HR instruments. These measures are designed to provide valuable feedback to employees and to set goals for the next year. They should engender a sense of procedural fairness and clarify goals. As the achievement of these goals is typically linked to some monetary incentive, they should align the incentives of the employee with those of the firm. In particular, individual effort should be increased. We thus investigate the relationship between appraisal interviews, target agreements and effort, proxied by the commonly used concept of work engagement. We are able to make use three waves of a new linked employer-employee data set, the Linked Personal Panel (LPP), allowing us to include both a rich set of control variables on the establishment and the employee level and to apply fixed effects estimation to account for unobserved heterogeneity. Our results show positive and statistically significant relationships between appraisal interviews, target agreements and employee engagement on the individual level. In addition, we find first evidence that these direct relationships might be mediated by goal clarity and procedural fairness.

# Abstracts

## Session VII (a): Immigrants

**Sevak Alaverdyan:** “Why do migrant workers rely more often on referrals?”

Intuitively, one can expect that migrant workers have smaller social networks in the new destination country and by that smaller probability of finding a job through referrals. However, empirical analysis of the SOEP data from 2002 to 2008 show that 41.21% of migrant workers and 31.79% of native workers found their current job through referrals. Estimation results of the panel probit model with random effects show that 7.26% statistically significant difference of the predicted probabilities of using referrals between migrant and native workers is not explained by the characteristics of the individuals and firms. In order to explain this puzzle, this paper presents a search and matching model with heterogeneous worker groups and several search channels. The firm observes the noisy signal of the productivity, the nationality and the search channel of the worker to form unbiased expectations about the true productivity of the worker. The probabilities to be hired for the two worker groups and different search channels are determined using ex-ante union bargained wage and expectations of the firm. Calibration results of the model show that even when migrant workers have smaller size of the social network, they gain more from recommendations, because their employment chances are initially much lower than employment chances of native workers.

**Marc-André Luik, Max Steinhardt:** “Language proficiency and homeownership: Evidence from U.S. immigrants”

In this paper we deliver first causal evidence on the relationship between immigrant host country language proficiency and homeownership. Using an instrumental variable strategy, we find a substantial positive effect of language skills on housing demand. Our results highlight the importance of host country specific human capital and, in particular, language proficiency for socio-economic assimilation.

# Abstracts

## Session VII (b): Discrimination and Dismissals

**Bernardo Fanfani:** “Tastes for discrimination in monopsonistic labour markets”

This paper studies a model of the gender wage gap where differences between men and women arise from two main mechanisms: taste-based discrimination and monopsonistic power. In particular, we show how preferences against women affect heterogeneity in firms’ pay policies when employers can set both, wages and employment levels. The theoretical results inform an empirical analysis of the gender wage gap in the Italian manufacturing sector. The method proposed here allows to test for the presence of taste-based discrimination and to characterize more prejudiced employers, it relies on the use of a matched employer-employee database and it exploits the relatively homogeneous labour market structure faced by firms belonging to the same sector and local labour market. Results show that taste-based discrimination is a potentially important determinant of the overall gender wage gap in the Italian manufacturing sector. Moreover, the absence of female workers at the top of the firms’ hierarchy, as well as the female share of employment within workplaces, represent two valid proxies of firm-specific preferences against women.

**Laura Khoury:** “Unemployment benefits and the timing of dismissals: Evidence from bunching at a notch in France”

In this paper, I use administrative unemployment data to analyse bunching in the workers’ seniority distribution, at a notch created by an unemployment benefit schedule designed for workers laid-off for economic reasons. I exploit the discontinuity in the level of the budget set to estimate an elasticity of labour supply to unemployment benefits. I also investigate the possible channels of strategic behaviours in a context where the dismissal decision is the result of bargaining between employer, employee and representatives within the firm. I find evidence that significant bunching occurs at the relevant seniority threshold as a response to incentives created by the unemployment benefit scheme: employers and employees maximise joint surplus thanks to a third party’s - the State - transfer. I find that this bunching is concentrated in the population who has the most to gain and is the most able to implement strategic behaviours and to take advantage of unemployment compensation rules.

# Abstracts

## Session VIII (a): Generations, Children and Education

**Iryna Kyzyma, Olaf Groh-Samberg:** “Intergenerational mobility in Germany: Levels and trends ”

This paper provides first evidence on the levels and trends in the intergenerational mobility of ranks in Germany, the country, which has experienced a profound increase in income inequality over recent decades. The focus on rank rather than on income mobility allows us to separate the true interrelationship between the distributional positions of children and parents from the levels of inequality present in the distributions of their incomes. We find that the correlation of children’s ranks with the ranks of their parents lies between 0.211 and 0.259, and the estimates are higher for sons than for daughters. For sons, the persistence of ranks across generations is also higher than the persistence of log incomes (intergenerational income elasticity). We also find that the estimates of intergenerational persistence in ranks more than doubled for children born in 1973-1977, as compared to children born in 1968-1972.

**Martin Fischer, Martin Karlsson, Therese Nilsson, Nina Schwarz:** “The long-term effects of long terms: Compulsory schooling reforms in Sweden”

We evaluate the impact on earnings, pensions, and further labor market outcomes of two parallel educational reforms increasing instructional time in Swedish primary school. The reforms extended the annual term length and compulsory schooling by comparable amounts. We find striking differences in the effects of the two reforms: at 5%, the returns to the term length extension were at least half as high as OLS returns to education and benefited broad ranges of the population. The compulsory schooling extension had small (2%) albeit significant effects, which were possibly driven by an increase in post-compulsory schooling. Both reforms led to increased sorting into occupations with heavy reliance on basic skills.

# Abstracts

**Florian Hett, Mario Mechtel, Henning Müller, Felix Schmidt, Daniel Schunk, Valentin Wagner:** “Do children cooperate conditionally? Adapting the strategy method for first-graders”

We develop a public goods game (PGG) to measure cooperation and conditional cooperation in young children. Our design addresses several obstacles in adapting simultaneous and sequential PGGs to children who are not yet able to read or write, do not possess advanced abilities to calculate payoffs, and only have a very limited attention span at their disposal. It features the combination of haptic offline explanation, fully standardized audiovisual instructions, computerized choices based on touchscreens, and a suitable incentive scheme. Applying our experimental protocol to a sample of German first-graders, we find that (i) already 6-year-olds cooperate conditionally, (ii) the relative frequency of different cooperation types matches the findings for adult subjects, and (iii) teacher and parental surveys are not able to predict actual cooperation behavior of children in a PGG.

## Session VIII (b): Employment Effects

**Michael C. Burda, Stefanie Seele:** “No role for the Hartz reforms? Demand and supply factors in the German labor market, 1993-2014”

The supply and demand framework of Katz and Murphy (1992) provides new evidence on the source of changes in socially insured full-time and part-time employment in years preceding and following the implementation of the landmark Hartz reforms in Germany. Our findings are consistent with a stable demand for labor, especially in western Germany, implying that supply factors were decisive for the evolution of the labor market after 2003. The correlation of changes in wages and labor force participation is also consistent with a positive labor supply shock at a given working-age population. We also show that part-time employment played a decisive role in the post-2003 improvement of the German labor market.

# Abstracts

**Andrea Albanese, Corinna Ghirelli, Matteo Picchio:** “Unemployment benefits and layoffs: Evidence from Italy”

In this paper we estimate the effect of unemployment insurance eligibility on the probability of job termination. We focus on Italy for the period 2005-2014. By exploiting two different rules of eligibility for unemployment benefit (UB), we implement a difference-in-differences estimator in a flexible proportional hazard rate model. We find that reaching UB eligibility increases the probability of layoff of about 15%. We also observe that workers exiting employment after satisfying eligibility conditions for UB have about 50% higher probability of being re-hired. This mostly happens in the week when UB generosity is reduced. Analyses on heterogeneous effects show that these effects are concentrated in the regions of Southern Italy and in small-medium sized enterprises.

**Iva Tomic, Ivan Zilic:** “Working for 200 euro? The effects of a large-scale traineeship reform on labor market outcomes in Croatia”

In this paper we evaluate the effects of a large-scale traineeship reform, the so-called SOR measure (vocational training for work without commencing employment), on labor market outcomes in Croatia. SOR was designed to ease the first labor market entry and promote on-the-job training, enabling a young person without relevant work experience to get a one-year contract and a net monthly salary of 210 euro. The measure soon became popular, especially among university graduates, accounting for around 30% of their unemployment exits. Pooling Croatian Labor Force Surveys from 2007–2016 and using difference-in-difference strategy we estimate the causal intent-to-treat effect of the reform on labor market outcomes of the eligible group: 18–29 year-olds. The main results indicate that the reform significantly decreased the probability of being unemployed of the treated group, as well as increase their probability of being inactive. We also find an adverse effect on wages—driven mostly by wages received by females and university graduates—and evidence that a portion of individuals was shifted towards the public sector. However, we do not find any effect on the probability of being employed.

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# Notes

# Notes

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