



Programme



IAAEU

Institute for Labour Law
and Industrial Relations
in the European Union

Workshop on Inequality and Polarization

Institute for Labour Law and Industrial Relations in the European Union | Trier University

Workshop on Inequality and Polarization

11th June, 2021

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 (Economics 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: <https://www.iaaeu.de/en>

About TriECON

TriECON is a workshop series initiated and conceptualized by the Institute for Labour Law and Industrial Relations in the European Union (IAAEU) in cooperation with the Chair of Personnel Economics at Trier University. Each workshop is designed to offer a platform for scientific exchange on a particular topic. The workshop series supports the networking among scientists and promotes the exchange of research ideas and results with other scientists as well as with the wider, interested public.

We hope you have a pleasant event and that you will you get some new insights!

For information about the upcoming workshops, we invite you to visit the corresponding website:

[TriECON Workshop Series](#)

Registration

For registration, please subscribe via [this form](#).

You will receive a confirmation email once your registration is noted.

The workshop will take place online via Zoom software. Information on how to log in will be sent around one day before the workshop.

Please refer to page 9 for more organizational information.

Schedule – Workshop on Inequality and Polarization

Friday, June 11th 2021

09:15 – 09:30	Welcome and Opening
09:30 – 10:50	Session I
10:50 – 11:20	General Discussion + Short Break
11:20 – 12:40	Session II
12:40 – 14:00	General Discussion + Lunch Break
14:00 – 15:20	Session III
15:20 – 15:50	General Discussion + Short Break
15:50 – 17:10	Session IV
17:10 – 17:30	General Discussion + Farewell

Programme

- 09:15 – 09:30** **Welcome and Opening**
- 09:30 – 10:50** **SESSION I:** *(SESSION CHAIR: ALBERTO PALERMO)*
Riccardo Zago: “Job Polarization, Skill Mismatch and the Great Recession”
Maxime Pettinger: “Institutional Determinants of Job Polarization – A Panel-Data Analysis”
(Co-authored by Nora Paulus)
- 10:50 – 11:20** **General Discussion + Short Break**
- 11:20 – 12:40** **SESSION II:** *(SESSION CHAIR: YUE HUANG)*
Melissa E. Tornari: “Job Polarising Immigration? Evidence from the UK”
Rawaa Laajimi: “Push and Pull Factors in Tunisian Internal Migration: The Role of Human Capital”
(Co-authored by Julie Le Gallo)
- 12:40 – 14:00** **General Discussion + Lunch Break**

Programme

14:00 – 15:20

SESSION III: *(SESSION CHAIR: LASZLO GOERKE)*

Gökay Demir: “Labor Market Polarization, Job Tasks and Monopsony Power”
(Co-authored by Ronald Bachmann & Hanna Frings)

Alexandre Ounnas: “Job Polarization and the Labor Market: A Worker Flow Analysis”

15:20 – 15:50

General Discussion + Short Break

15:50 – 17:10

SESSION IV: *(SESSION CHAIR: NORA PAULUS)*

Werner Peña: “Routine-Biased Technological Change, Structure of Employment, and Cross-Country Income Differences”
(Co-authored by Christian Siegel)

Sotiris Blanas: “Age-Biased Offshoring and Technology”

17:10 – 17:30

General Discussion + Farewell

Organizational Information

Instructions for Presenters:

We scheduled 40 minutes for each paper:

- 30 minutes for your presentation and 10 minutes for questions.

The workshop will take place online via Zoom Software.

In case of unforeseen technical problems, our IT team is available during the workshop:

Email: edv@iaaeu.de

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Abstracts

Session I:

Riccardo Zago: *“Job Polarization, Skill Mismatch and the Great Recession”*

This paper shows that job polarization has a persistent negative effect on employment opportunities, mobility and skill-to-job match quality for low-skilled workers, particularly during downturns. I introduce a model generating an endogenous mapping between skills and jobs, that I estimate to match solely occupational dynamics during the Great Recession, a major episode of polarization. Yet, this is sufficient for the model to replicate well the reallocation patterns of workers on the job ladder and the mismatch dynamics observed in the data. Comparison with the planner reveals that 1/4 of mismatches is efficient and attenuates polarization and unemployment over the cycle.

Maxime Pettinger, Nora Paulus: *“Institutional Determinants of Job Polarization – A Panel-Data Analysis”*

In this paper, we empirically characterize the impact of institutions on employment polarization, defined as the simultaneous increase in the employment share of low-skill and high-skill jobs relative to middle-skill jobs. More specifically, we test the predictions of the model developed by Dupuy and Pettinger (2021), according to which both wage and job polarization are mitigated by institutional forces. We first estimate the long-run relationship between institutions and labor market polarization using cointegration analysis. We then test the direction of causality between these two variables, applying multivariate time series analysis techniques to panel data. In line with the predictions of Dupuy and Pettinger (2021), the estimated long-run relationship between job polarization and institutional forces indicates that a decrease in institutionalization is accompanied by job polarization. Moreover, our results indicate that a negative shock in institutionalization fosters the latter phenomenon.

Abstracts

Session II:

Melissa E. Tornari: *“Job Polarising Immigration? Evidence from the UK”*

How migration inflows affect labour markets is one of the most salient and contentious issues in destination countries. The literature documenting the impact of migrant workers on labour market outcomes, including wages and productivity, brings mixed and often inconclusive results (Borjas, 2014; Ottaviano & Peri, 2012; Dustmann et al., 2016). At the same time, several studies have documented the striking regularity of a polarising pattern in the employment structure of Western economies, the so called “job polarisation” hypothesis (e.g. Acemoglu & Autor, 2010; Goos & Manning, 2007; Goos et al., 2009). So far mainly demand-side mechanisms have been explored in relation to this phenomenon. However - at the lower end of the labour markets of the UK, the US and selected European economies, we observe the growth in the number of jobs but not in the level of wages. Hence, supply-side factors - like immigration flows, can also play a role. It is known that migrant workers tend to concentrate at the very bottom and at the top of the skills distribution (OECD - DIOC, 2013). As of yet, however, little is known about the interplay of supply factors and job polarisation.

Rawaa Laajimi, Julie Le Gallo: *“Push and Pull Factors in Tunisian Internal Migration: The Role of Human Capital”*

This paper examines the pull and push factors of interregional flows in Tunisia, focusing on the role of differences in human capital. Using data from the 2004 and 2014 Tunisian censuses, we estimate a gravity model augmented with proxies capturing high- and low-skilled level human capital and an original nighttime light proxy for regional GDP. We consider both unemployment rate differential and spatial distance as multilateral resistance variables and we add cultural and quality of life variables. We find that the macroeconomic variables are the main determinants of interregional flows. As for human capital, high skilled level acts as a pull factor and low skilled level as a restraining factor in the destination regions. Furthermore, non-economic variables have a significant impact on migration flows: Tunisians leave their origin regions not only in search of jobs but also in search of better living conditions.

Abstracts

Session III:

Gökay Demir, Ronald Bachmann, Hanna Frings: *“Labor Market Polarization, Job Tasks and Monopsony Power”*

Using a semi-structural approach based on a dynamic monopsony model, we examine to what extent workers performing different job tasks are exposed to different degrees of monopsony power, and whether these differences in monopsony power have changed over the last 30 years. We find that workers performing mostly non-routine cognitive tasks are exposed to a higher degree of monopsony power than workers performing routine or non-routine manual tasks. Job-specific human capital and non-pecuniary job characteristics are the most likely explanations for this result. We find no evidence that labor market polarization has increased monopsony power over time.

Alexandre Ounnas: *“Job Polarization and the Labor Market: A Worker Flow Analysis”*

This paper provides an analysis of the effects of Job Polarization on the labor market through the study of worker flows and transition rates disaggregated by occupation. I use the Current Population Survey (CPS) for the period 1976-2010 and the occupation classification of Autor and Dorn (2013) to rank occupations between high, middle and low skill. I then use the variance decomposition of Elsby et al. (2015) to measure the percentage point contribution of each hazard rate to labor market stocks fluctuations. This analysis is used to study 3 phenomena. Firstly, the decrease in middle skill (or routine) employment between 1980 and 2006. The results highlight the role of employment to employment transition rates in the early phase of Polarization between 1980 and 1999. After the year 2000, hazard rates between middle skill employment and unemployment/inactivity account for the employment decrease in these occupations. Secondly, I analyze Jobless Recoveries (Jaimovich and Siu (2012)) to investigate which hazard rates contribute to the slow rebound in aggregate employment after the recent recessions. I find that hazard rates from unemployment to employment of all 3 groups of occupations contribute negatively to aggregate employment fluctuations during recoveries. Lastly, I examine fluctuations in labor force participation. Foote and Ryan (2015) and Cortes et al. (2017) suggest that Polarization lead middle skill workers to exit the labor force. This observation appears to be supported by the results which show that hazard rates between middle skill employment and inactivity contribute negatively to labor force fluctuations between 1990 and 2006.

Abstracts

Session IV:

Werner Peña, Christian Siegel: *“Routine-Biased Technological Change, Structure of Employment, and Cross-Country Income Differences”*

In this paper we investigate links between routine-biased technological change, the structure of occupational employment, and cross-country income differences. To implement this we combine several data sources including national labour force surveys and Penn World Tables. We first document that in our novel dataset spanning 91 countries there is a negative relationship between the employment share of routine occupations and GDP per hour worked. We then conduct a development accounting exercise where we differentiate labour inputs by occupation and allow for occupation-specific technologies. We find that there is a systematic relationship between occupation-specific technologies and GDP per hour worked. More developed economies use technologies that are more routine-biased. The productivity of routine labour is about 12 times higher in the top 25 percent than in the bottom 25 percent of countries ranked by GDP per hour worked. While capital-augmenting technology accounts for most of the observed GDP per hour worked differences across countries, out of the three occupation-specific technologies the routine technology matters the most, whereas giving all economies access to the best abstract technology would exacerbate differences in average incomes as more developed economies have a larger employment share in abstract occupations. To see whether these results stem from cross-country differences in sectoral composition and to investigate the nexus between biased technological change, employment structure, and structural transformation, we conduct our analysis in a final step at the sectoral level. We find that the occupation-bias in technology is qualitatively the same in goods production and in services.

Abstracts

Session IV:

Sotiris Blanas: “Age-Biased Offshoring and Technology”

Using a sample of manufacturing and service industries in eleven developed countries over 1995 – 2005, this paper is the first to study the effects of offshoring on the relative demand for different age groups of workers, as well as the role of modern technologies in shaping these effects. While offshoring to high-income countries increased the relative demand for the young and decreased the relative demand for the middle-aged, offshoring to lower-income countries decreased the relative demand for the young and increased the relative demand for the middle-aged and oldest workers. The effects are explained by the transfer of more and less complex tasks, respectively, to high- and lower-income countries along with the disproportionate employment of young and older workers in occupations with relatively high and low offshorable and routine task content. Although the high education level allowed older workers to be protected from offshoring to high-income countries, this seems to not have been enough to shield young workers from offshoring to lower-income countries. Interestingly, the main effects of offshoring are concentrated in industries making intensive use of information technologies and software, implying the substitutability between these two types of technologies and offshoring. Also, the concentration of the main effects of offshoring to high- and lower-income countries in industries that make more and less intensive use, respectively, of Communication Technologies (CT) likely suggest that CT facilitate offshoring that mostly requires the exchange of advanced (tacit) knowledge among geographically dispersed production stages comprising a disproportionately high number of complex tasks.

Participants

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