

CONTENTS

Acknowledgments	xvii
Competing interests	xvii
About IZA	xvii
Editorial board	xix
Introduction	xxiii

SECTION I Program evaluation

- 1 **Maternity leave versus early childcare—What are the long-term consequences for children?** 2
Despite increasingly generous parental leave schemes their advantages over subsidized childcare remain unclear
Nabanita Datta Gupta
- 2 **How to reduce workplace absenteeism** 4
Financial incentives and changes in working conditions are key to many broad and tailor-made programs *Wolter Hassink*
- 3 **The influence of occupational licensing and regulation** 6
Occupational licensing may raise wages and benefits for those licensed but also reduce access to work without clear benefits to consumers *Morris M. Kleiner*
- 4 **Job search monitoring and assistance for the unemployed** 8
Can job search requirements and job search assistance help the unemployed find better jobs faster? *Ioana E. Marinescu*
- 5 **Do post-prison job opportunities reduce recidivism?** 10
Increasing the availability of high-quality job opportunities can reduce recidivism among released prisoners *Kevin Schnepel*

SECTION II Behavioral and personnel economics

- 6 **Multitasking at work: Do firms get what they pay for?** 14
Rewarding only one dimension of performance may result in employees ignoring other dimensions *Ann P. Bartel*

7	Relative pay, effort, and labor supply	16
	Comparisons to others' pay and to one's own past earnings can affect willingness to work and effort on the job <i>Anat Bracha</i>	
8	Working in family firms	18
	Family firms offer higher job security but lower wages than other firms <i>Thomas Breda</i>	
9	The value of hiring through employee referrals in developed countries	20
	Firms can benefit by hiring employee referred candidates; however, there are potential drawbacks that must be considered <i>Mitchell Hoffman</i>	
10	Gender differences in corporate hierarchies	22
	How and why do the careers of men and women differ? What policies could reduce the differences? <i>Antti Kauhanen</i>	
11	Production spillovers: Are they valued?	24
	Spillovers can contribute to team success, although workers are not compensated for them <i>Joseph Price</i>	
12	Skill utilization at work: Opportunity and motivation	26
	Challenging jobs and work incentives induce workers to use their skills but make life difficult for managers <i>Giovanni Russo</i>	
13	Relative deprivation in the labor market	28
	The choice of reference group crucially determines subjective deprivation and thus affects labor market behavior <i>Paolo Verme</i>	

SECTION III Migration and ethnicity

14	Why does unemployment differ for immigrants?	32
	Unemployment risk varies greatly across immigrant groups depending on language skills, culture, and religion <i>Stephen Drinkwater</i>	
15	Family-friendly and human-capital-based immigration policy	34
	Shifting the focus from immigrants' initial earnings to their propensity to invest in human capital <i>Harriet Duleep and Mark Regets</i>	
16	The portability of social benefits across borders	36
	With rising international migration, how transferable are benefits, and can transferability be increased? <i>Robert Holzmann</i>	

17 Racial wage differentials in developed countries	38
The variation of racial wage gaps across and within groups requires differing policy solutions <i>Simonetta Longhi</i>	
18 Measuring flows of international migration	40
Consistent measures of migration are needed to understand patterns and impacts on labor market outcomes <i>James Raymer</i>	
19 Demographic and economic determinants of migration	42
Push and pull factors drive the decision to stay or move <i>Nicole B. Simpson</i>	
20 Is high-skilled migration harmful to tax systems' progressivity?	44
Understanding how migration responds to tax changes will aid in setting the progressivity of a tax system <i>Laurent Simula and Alain Trannoy</i>	
21 Economic effects of differences in dialect	46
Dialects show regional cultural variation, making the idea of standardized national labor markets misleading <i>Jens Suedekum</i>	

SECTION IV Labor markets and institutions

22 Trade and labor markets: Lessons from China's rise	50
The China Shock has challenged economists' benign view of how trade integration affects labor markets in developed countries <i>David H. Autor</i>	
23 How does monetary policy affect labor demand and labor productivity?	52
Monetary policy easing initially supports labor demand, but persistent easing may slow down necessary restructuring and productivity growth <i>Andrew Benito</i>	
24 Why does part-time employment increase in recessions?	54
Jobs can change quickly from full- to part-time status, especially during economic downturns <i>Daniel Borowczyk-Martins</i>	
25 Aggregate labor productivity	56
Labor productivity is generally seen as bringing wealth and prosperity; but how does it vary over the business cycle? <i>Michael C. Burda</i>	

26 Firm size and business cycles	58
Do small businesses shed proportionately more jobs than large businesses during recessions? <i>Tulio A. Cravo</i>	
27 Working hours: Past, present, and future	60
Work hours have been falling in developed countries—But where will they go in the future? <i>Peter Dolton</i>	
28 Competitiveness, labor market institutions, and monetary policy	62
Monetary policy should respond to the exchange rate in countries where labor market institutions hinder wage adjustment <i>Ester Faia</i>	
29 Hours vs employment in response to demand shocks	64
Evaluating the labor market effects of temporary aggregate demand shocks requires analyzing both employment and hours of work <i>Robert A. Hart</i>	
30 Unemployment and the role of supranational policies	66
EU supranational policies should be more active at promoting institutional reforms that reduce unemployment <i>Juan F. Jimeno</i>	
31 Compensating displaced workers	68
Uncoordinated unemployment insurance and severance pay do a poor job of insuring against losses resulting from job displacement <i>Donald O. Parsons</i>	
32 How should job displacement wage losses be insured?	70
Wage losses upon re-employment can seriously harm long-tenured displaced workers if they are not properly insured <i>Donald O. Parsons</i>	
33 Why is youth unemployment so high and different across countries?	72
Young people experience worse labor market outcomes than adults worldwide but the difference varies greatly internationally <i>Francesco Pastore</i>	
34 Multiple job-holding: Career pathway or dire straits?	74
Moonlighting responds to economic needs, but can generate new skills and careers <i>Konstantinos Pouliakas</i>	
35 Effects of regulating international trade on firms and workers	76
The benefits of trade regulation increase when workers are mobile <i>Raymond Robertson</i>	

36 Defining informality vs mitigating its negative effects	78
More important than defining and measuring informality is focusing on reducing its detrimental consequences <i>Elizabeth Ruppert Bulmer</i>	
37 International trade and economic insecurity	80
Trade can increase economic insecurity for some workers while increasing stability for others <i>Mine Z. Senses</i>	
38 Do firms' wage-setting powers increase during recessions?	82
Monopsony models question the classic view of wage-setting and reveal a new reason why wages may decrease during recessions <i>Todd Sorensen</i>	
39 How does international trade affect household welfare?	84
Households can benefit from international trade as it lowers the prices of consumer goods <i>Beyza Ural Marchand</i>	

SECTION V Transition and emerging economies

40 One-company towns: Scale and consequences	88
One-company towns concentrate employment but their ability to adapt to adverse events is often very limited <i>Simon Commander</i>	
41 The automotive industry in Central Europe: A success?	90
The automotive industry has brought economic growth, but a developmental model based on foreign capital is reaching its limits <i>Lucia Mýtna Kureková</i>	
42 The changing nature of jobs in Central and Eastern Europe	92
Restructuring and upskilling prevents job polarization but may leave countries vulnerable to routine-biased technical change <i>Piotr Lewandowski</i>	
43 Do trade unions in Central and Eastern Europe make a difference?	94
Low coverage and greater fragmentation can limit the benefits of trade unions <i>Iga Magda</i>	
44 Returns to language skills in transition economies	96
Speaking English has its benefits in transition countries but can it supersede Russian? <i>Astghik Mavisakalyan</i>	
45 Wage policies in the public sector during wholesale privatization	98
Does the transition to market economies imply growing wage inequality and, if so, along what dimensions? <i>Jelena Nikolic</i>	

- 46 Can diversity encourage entrepreneurship in transition economies?** 100
 Harnessing the benefits of diversity is essential for encouraging entrepreneurship in the transition region *Elena Nikolova*
- 47 Political connectedness and formal finance in transition economies** 102
 Policies to increase formal finance to smaller firms requires improving the functioning of government bureaucracies *Kobil Ruziev*
- 48 Youth unemployment in transition economies** 104
 Both general and age-specific policies are necessary to reduce youth unemployment in transition economies *Marcello Signorelli*
- 49 The happiness gap between transition and non-transition countries** 106
 Economic progress coupled with political and institutional stability is needed to reduce unhappiness *Ekaterina Skoglund*

SECTION VI Development

- 50 Managerial quality and worker productivity in developing countries** 110
 Business consulting and supervisory skills training can improve firm productivity and labor relations *Achyuta Adhvaryu*
- 51 Adult literacy programs in developing countries** 112
 While mostly missing their primary objectives, adult literacy programs can still improve key socio-economic outcomes *Niels-Hugo Blunch*
- 52 Microfinance and rural non-farm employment in developing countries** 114
 Expansion of microfinance to rural areas may reduce credit constraints, helping non-farm sector growth, employment, and development *Shyamal Chowdhury*
- 53 Fighting employment informality with schooling** 116
 Labor force composition is critical for understanding employment informality in developing countries *Daniel Haanwinckel and Rodrigo R. Soares*
- 54 How digital payments can benefit entrepreneurs** 118
 Digital payments can increase firms' profits by allowing more efficient and cost-effective financial transactions *Leora Klapper*

- 55 Is teacher certification an effective tool for developing countries?** 120
Increasing teacher certification in developing countries is widely believed to improve student performance; yet the evidence suggests otherwise *Todd Pugatch*

SECTION VII Environment

- 56 Does hot weather affect human fertility?** 124
Hot weather can worsen reproductive health and decrease later birth rates *Alan Barreca*
- 57 Climate change and the allocation of time** 126
In various ways, climate change will affect people's well-being and how they spend their time *Marie Connolly*
- 58 Air pollution and worker productivity** 128
Higher levels of air pollution reduce worker productivity, even when air quality is generally low *Matthew Neidell*
- 59 Air pollution, educational achievements, and human capital formation** 130
Exposure to elevated levels of air pollution adversely affects educational outcomes *Sefi Roth*

SECTION VIII Education and human capital

- 60 The role of cognitive and socio-emotional skills in labor markets** 134
Cognitive skills are more relevant in explaining earnings, socio-emotional skills in determining labor supply and schooling *Pablo Acosta and Noël Muller*
- 61 The value of financial literacy and financial education for workers** 136
A financially literate workforce helps the economy, but acquiring the needed skills can be costly *Pierre-Carl Michaud*
- 62 Rethinking the skills gap** 138
Better understanding of skills mismatch is essential to finding effective policy options *Roland Rathelot and Thijs van Rens*
- 63 Does education strengthen the life skills of adolescents?** 140
Secondary and higher education are windows of opportunity for boosting students' life skills *Stefanie Schurer*

- 64 Do social interactions in the classroom improve academic attainment?** 142
Student sorting into classes complicates policies that utilize peer effects to optimize educational outcomes *Shqiponja Telhaj*
- 65 Does homeownership affect education outcomes?** 144
Homeownership facilitates investment in human capital, though direct effects on education outcomes are unclear *Stephen Whelan*
- 66 Central exit exams improve student outcomes** 146
External school leaving exams raise student achievement and improve how grades are understood in the labor market *Ludger Woessmann*

SECTION IX Demography, family, and gender

- 67 Trans people, well-being, and labor market outcomes** 150
Transitioning across gender is related to greater life and job satisfaction but also affects acceptance in one's society *Nick Drydakis*
- 68 How does the one child policy impact social and economic outcomes?** 152
A strict policy on fertility effects every aspect of economic life *Wei Huang*
- 69 The complex effects of retirement on health** 154
Retirement offers the potential for improved health, yet also creates the risk of triggering bad health behavior *Andreas Kuhn*
- 70 The rise of secularism and its economic consequences** 156
Western societies are increasingly more secular, what are the socio-economic consequences of increased secularism?
Fernando A. Lozano
- 71 Motherhood wage penalty may affect pronatalist policies** 158
If ignored, the motherhood wage penalty may threaten the effectiveness of policies targeting fertility *Olena Y. Nizalova*
- 72 How do candidates' looks affect their election chances?** 160
Looks matter and can tip the scales between the right and left
Panu Poutvaara
- 73 Fertility decisions and alternative types of childcare** 162
Relative costs and family characteristics determine the effectiveness of different forms of childcare *Chiara Pronzato*

- 74 Do anti-discrimination policies work?** 164
A mix of policies could be the solution to reduce discrimination in the labor market *Marie-Anne Valfort*

SECTION X Data and methods

- 75 The need for and use of panel data** 168
Panel data provide an efficient and cost-effective means to measure changing behaviors and attitudes over time *Hans-Jürgen Andreß*
- 76 Measuring employment and unemployment** 170
Should statistical criteria for measuring employment and unemployment be re-examined? *Andrea Brandolini and Eliana Viviano*
- 77 What is the role for molecular genetic data in public policy?** 172
There is potential value from incorporating genetic data in the design of effective public policy, but also some risks *Weili Ding and Steven F. Lehrer*
- 78 Measuring individual risk preferences** 174
Incentivized measures are considered to be the gold standard in measuring individuals' risk preferences, but is that correct? *Catherine C. Eckel*
- 79 Gross domestic product: Are other measures needed?** 176
GDP summarizes only one aspect of a country's condition; other measures in addition to GDP would be valuable *Barbara M. Fraumeni*
- 80 Big Data in economics** 178
New sources of data create challenges that may require new skills *Matthew Harding and Jonathan Hersch*
- 81 Replication in labor economics** 180
Is there a reproducibility crisis in labor economics? *W. Robert Reed*
- 82 The usefulness of experiments** 182
Are experiments the gold standard or just over-hyped? *Jeffrey A. Smith*

SECTION XI Country labor markets

- 83 The labor market in Australia, 2000–2016** 186
Sustained economic growth led to reduced unemployment and real earnings growth, but prosperity has not been equally shared *Garry Barrett*

84 The labor market in Austria, 2000–2016	188
Fifteen years ago Austria was the “better Germany,” but it has failed to keep up over time <i>René Böheim</i>	
85 The labor market in Belgium, 2000–2016	190
Beyond satisfactory average performances lies a strongly segmented labor market with long-term challenges <i>Vincent Bodart, Muriel Dejemeppe, and Bruno Van der Linden</i>	
86 The labor market in Brazil, 2001–2015	192
An ongoing crisis threatens Brazil’s recent increased earnings and its decreased inequality and gender and ethnic gaps <i>Sergio Firpo and Renan Pieri</i>	
87 The labor market in Canada, 2000–2016	194
A strong resource boom that benefited Canada’s economy and labor market was followed by a painful adjustment <i>W. Craig Riddell</i>	
88 The Chinese labor market, 2000–2016	196
The world’s second largest economy has boomed, but a rapidly aging labor force presents substantial challenges <i>Junsen Zhang and Jia Wu</i>	
89 The Danish labor market, 2000–2016	198
Despite recession-induced job losses, high turnover prevented a steep increase in long-term and youth unemployment <i>Torben M. Andersen</i>	
90 The labor market in Finland, 2000–2016	200
An almost decade-long economic stagnation left an unemployment problem for an aging society <i>Tomi Kyyrä and Hanna Pesola</i>	
91 The changing of the French labor market, 2000–2017	202
The French workforce is now much better educated, but unemployment, underemployment, and low-income work present challenges <i>Philippe Askenazy</i>	
92 The labor market in Germany, 2000–2016	204
The transformation of a notoriously rigid labor market into a role model of its own style is essentially complete <i>Hilmar Schneider and Ulf Rinne</i>	

93 The labor market in India since the 1990s	206
Productivity growth and low unemployment have not been matched by comparable rises in wages <i>Indraneel Dasgupta and Saibal Kar</i>	
94 The labor market in Ireland, 2000–2016	208
Unemployment remains above pre-crisis levels, but recovery from its very high crisis level is well underway <i>Adele Bergin and Elish Kelly</i>	
95 The labor market in Israel, 2000–2016	210
Unlike most OECD countries, Israel experienced a major increase in both employment and participation rates over the last 15 years <i>Tali Larom and Osnat Lifshitz</i>	
96 The labor market in Italy, 2000–2016	212
Italy has seen moderate recovery since the double-dip recession, but problems persist among the youth and in southern regions <i>Francesca Marino and Luca Nunziata</i>	
97 The labor market in Japan, 2000–2016	214
Despite a plummeting working-age population, Japan has sustained its labor force size, thanks mostly to surging employment among women <i>Daiji Kawaguchi and Hiroaki Mori</i>	
98 The labor market in the Netherlands, 2001–2016	216
Overall, employment and wages were accompanied by a rise in part-time work and a decline in job security <i>Joop Hartog and Wiemer Salverda</i>	
99 The labor market in New Zealand, 2000–2017	218
Employment has grown steadily and the gender gap and skill premiums have fallen <i>David C. Maré</i>	
100 The labor market in Norway, 2000–2016	220
Negative consequences of falling oil prices were offset by real wage flexibility, reduced immigration, and labor reallocation <i>Øivind A. Nilsen</i>	
101 The labor market in Poland, 2000–2016	222
Employment has been rising, but low participation of older people and a large share of temporary jobs pose challenges <i>Piotr Lewandowski and Iga Magda</i>	

102 The labor market in South Korea, 2000–2016	224
The labor market stabilized quickly after the 1998 Asian crisis, but rising inequality and demographic change are challenges <i>Jungmin Lee</i>	
103 The labor market in Spain, 2002–2016	226
Youth and long-term unemployment, which skyrocketed during the Great Recession, were still very high in 2016 <i>Anna Sanz-de-Galdeano and Anastasia Terskaya</i>	
104 The labor market in Sweden since the 1990s	228
The Swedish economy continues to have high employment and rapidly rising real wages <i>Nils Gottfries</i>	
105 The labor market in Switzerland, 2000–2016	230
The Swiss labor market has proven resilient to several recent shocks, with unemployment remaining stable and real wages steadily increasing <i>Rafael Lalive and Tobias Lehmann</i>	
106 The labor market in the UK, 2000–2016	232
Unemployment rose only modestly during the Great Recession and fell strongly since, with productivity and wages lagging behind <i>Benedikt Herz and Thijs van Rens</i>	
107 The labor market in the US, 2000–2016	234
Recovery from the Great Recession is essentially complete, but there are difficult unemployment and wage issues <i>Daniel S. Hamermesh</i>	
Author index	236
Subject index	238