

CILNews



Inaugural CILN conference

The first CILN conference was held in Burlington, Ontario, on September 5-7, 1996, and attracted wide international participation from academic economists, sociologists, political scientists, and colleagues in the public sector. It featured plenary sessions on the first day and simultaneous sessions on subsequent days. In addition to formal paper presentations and discussions, the conference gave opportunity for CILN researchers and others to get acquainted and to discuss research strategies informally.

The full program for the conference follows. Copies of any of the papers (except those denoted *, for which no written paper is available) may be obtained at cost (C\$5) by writing to CILN at the address below.

Labour Market Institutions and Labour Market Outcomes: International Perspectives

*Canadian International Labour Network: Inaugural Conference
Burlington, Ontario
September 5-7, 1996*

Opening Remarks

- Jim JOHNSON (Dean of the Faculty of Social Sciences, McMaster University)
- Paul LOVEJOY (Vice President, Social Sciences and Humanities Research Council of Canada)

Plenary Sessions

Labour Market Institutions and Distribution of Wages: An Overview

- Richard FREEMAN, (Harvard University, NBER and LSE) "Institutions and Wage Distributions: the International Evidence" *
- Franz TRAXLER (University of Vienna) "Collective Bargaining and Industrial Change: A Case of Disorganization? A Comparative Analysis of 18 OECD Countries"

Labour Market Institutions and Unemployment: An Overview

- Lars LJUNGQVIST (Federal Reserve Bank of Chicago) and Thomas Sargent (University of Chicago) "The European Unemployment Dilemma"
- John MARTIN (OECD, Paris) "Unemployment and Related Welfare Benefits in OECD Countries and their Impacts on the Labour Market"

Labour Market Institutions and the Family: An Overview

- Martin BROWNING (McMaster University) "Models of Intrahousehold Allocation: An Overview" *
- Jonathan GRUBER (MIT) "Social Insurance, Labor Supply, and Well-Being: Costs and Benefits of

Government Interventions in the Labor Market" *

Concurrent Sessions

Recent Trends in Canadian Wage Structure

- Charles BEACH (Queen's University), G. Slotsve (Vanderbilt University), and François Vaillancourt (Université de Montréal), "Inequality and Polarization of Earnings in Canada, 1981-1992"
- John BURBIDGE (McMaster University), L. Magee (McMaster University), and A. L. Robb (McMaster University), "Canadian Wage Inequality over the last Two Decades"
- Garnett PICOT (Statistics Canada), "Working Time, Wages, and Earnings Inequality among Men and Women in Canada: 1981-1993"

Unemployment Dynamics:

- Marc van AUDENRODE (Université Laval) and Jonathan Leonard (University of California at Berkeley) "The Duration of Unemployment and the Persistence of Wages"
 - Thierry MAGNAC (DELTA, Paris) "State Dependence and Heterogeneity in Youth Employment Histories"
- Discussants: Audra J. Bowlus (University of Western Ontario) and Gerard van den Berg (Free University of Amsterdam)

Unions and the Wage Structure

- Christoph SCHMIDT (University of Heidelberg) "Relative Wage Effects of German Unions"
 - Richard B. FREEMAN (Harvard University, NBER and LSE), J. Hartog (Universiteit van Amsterdam) and C. Teulings (Universiteit van Amsterdam), "An Analysis of the Role of Mandatory Extension in the Dutch System of Labour Relations"
- Discussants: Chris Robinson (University of Western Ontario) and

John Kennan (University of Wisconsin)

Effects of Unemployment Insurance Policies

- Gerard VAN DEN BERG (Free University of Amsterdam), J. H. Abbring (University of Amsterdam) and J.C. van Ours (Tinbergen Institute), "The Effect of Unemployment Insurance Sanctions on the Transition rate from Unemployment to Employment"
- David SCOONES (University of Texas, Austin) and Daniel S. Hamermesh (University of Texas, Austin), "Multilevel 'General Policy Equilibria': Evidence from the American Unemployment Insurance Tax Ceiling"

Discussants: Stephen Jones (McMaster University) and Miles Corak (Statistics Canada)

Intrahousehold Allocation

- Valérie LECHENE (INRA, Paris), Martin Browning (McMaster University), and Wasif Rasheed (McMaster University) "Testing Between Cooperative and Non-cooperative Models of Intra-Household Allocation"
- Robert Pollak (Washington University), Shelly LUNDBERG (University of Washington), and Terence Wales (University of British Columbia) "Do Husbands and Wives Pool their Resources? Evidence from the U.K. Child Benefit"

Discussants: Bentley MacLeod (Boston College) and Frances Woolley (Carleton University)

Policy Effects and Unemployment

- Martin Browning (McMaster University) and Thomas CROSSLEY (York University) "Unemployment Insurance Benefit Levels and Consumption Changes"
- Michael BAKER (University of Toronto) and Dwayne Benjamin (University of Toronto) "How Do Retirement Tests Affect the Labour Supply Behaviour of Older Men?"

Discussants: Daniel Hamermesh (University of Texas at Austin) and Peter Kuhn (McMaster University)

Poverty and Child Health

- David CHEAL (University of Winnipeg) "The Role of the Welfare State in the Distribution of Poverty over the Life Course in Canada and the United States"
- Martin DOOLEY (McMaster University), Lori Curtis (McMaster

University), Ellen Lipman (McMaster University), and David H. Feeny (McMaster University) "Child Health and Family Socioeconomic Status: Application of the Health Utilities Index to the Ontario Child Health Study"

Discussants: Julia O'Connor (McMaster University) and Janet Currie (UCLA)

Reallocation Dynamics

- Giuseppe Bertola (Università di Torino, NBER, CPER) and Richard ROGERSON (University of Minnesota) "Institutions and Labor Reallocation"
- Jaap H. ABBRING (University of Amsterdam), Gerard van den Berg (Free University of Amsterdam), and Jan van Ours (Tinbergen Institute) "Trends, Cycles, and Compositional Variation in U.S. Unemployment: 1967-1995"

Discussants: Eric Smith (University of Essex) and Jeffrey Smith (University of Western Ontario)

Minimum Wages and the Wage Distribution

- Nicole FORTIN (Université de Montréal) and Thomas Lemieux (Université de Montréal), "Institutional Changes and Rising Wage Inequality: Is There a Linkage?"
- David GREEN (University of British Columbia) and Harry Paarsch (University of Western Ontario), "The Effect of the Minimum Wage on the Distribution of Teenage Wages in Canada"

Discussants: Wayne Lewchuk (McMaster University) and Lonnie Magee (McMaster University)

Family Policy

- Chris RUHM (University of North Carolina) "The Economic Consequences of Parental Leave Mandates: Lessons from Europe"
- John MYLES (Florida State University) and Jill Quadagno (Florida State University) "Recent Trends in Public Pension Reform: A Comparative View"

Discussants: Stephen Machin (University College London) and John Burbidge (McMaster University)

Technology, Skills and the Wage Distribution

- Kelly BEDARD (McMaster University) and Chris Ferrall (Queen's University), "Test Scores

and Wage Inequality: Some International Evidence"

- Stephen MACHIN (University College, London and LSE), Annette Ryan (University College, London and the Institute for Fiscal Studies) and John van Reenen (University College, London and the Institute for Fiscal Studies), "Technology and Changes in Skill Structure: Evidence from an International Panel of Industries"

Discussants: W. Craig Riddell (University of British Columbia) and Eli Berman (Boston University)

Browning honoured

Martin Browning, director of CILN's research project on "Labour Market Institutions and Family Welfare," was recently elected a Fellow of the Econometric Society. He was also recently awarded the Canadian Economics Association's John Rae Prize, given every second year to an economist working in Canada for outstanding research contributions over the preceding five years. Browning is based at McMaster University although he continues to have a wide range of international collaborators. He is spending part of the 1996-97 academic year visiting Tilburg to conduct international comparative research on household behaviour.

What follows is his own description of his current research interests.

My principal research interest is in the behaviour and welfare of individuals living in households. The three broad topics I work on these days are: household saving and demand, intra-household allocation, and the effect of unemployment spells on households. Sometimes these areas overlap (for example, in a couple of papers on saving (topic one) in which household members have different preferences about saving (topic two)) but mostly they are kept in separate compartments and assumptions used in one place are often questioned somewhere else.

I recently finished (with Anna Lusardi (Dartmouth)) a survey article on household saving for the Journal of Economic Literature. We cover both theory and facts and emphasise the considerable gap between them. Indeed, the theory (of consumption) treats saving as a residual and has not been well integrated with the large body of facts concerning household saving. Plans are afoot to expand this survey into a book (with the same co-author). I also have a recent paper with Orazio Attanasio (University College London [UCL]) on consumption over the business cycle and over the life-cycle which aims to highlight how difficult it is to devise powerful tests of the orthogonality conditions for optimal intertemporal

allocation. Finally in this area, I am working with Richard Blundell (UCL) and Ian Crawford (Institute for Fiscal Studies) on non-parametric modelling of demand. This follows the Afriat-Varian revealed preference approach in dispensing with functional form assumptions for the utility functions and statistical nonparametrics to deal with the heterogeneity that dominates the micro data.

Most of my work on intra-household allocation is with colleagues in Paris: François Bourguignon (DELTA), Pierre-André Chiappori (DELTA) and Valérie Lechene (INRA). In much of this work, we adopt the framework established by Chiappori in which household members may have different preferences about household decisions but resolve these in a way that gives rise to efficient outcomes (the so-called "collective" model). The four of us had a recently published paper attempting to establish how the distribution of incomes within the household affects the distribution of welfares. With Bourguignon and Chiappori I have two more papers exploring the implications of the collective model for observable behaviour and also identifying exactly what information is needed to recover details of what goes on inside households. With Chiappori, there is also a paper on establishing and testing for the Slutsky conditions for the collective model. As well as this, I have

a paper with Lechene on testing for the exogeneity of children in demand systems and a paper with Lechene and CILN graduate student fellow Wasif Rasheed (McMaster) on testing between different models of intra-household allocation. An early version of the latter was presented by Lechene at the first CILN conference. Finally I have a paper with Ramesh Subramaniam (Yale) on the effects of the sex of a new-born child on consumption and saving patterns in rural India.

The work on unemployment is related to my interest in saving but covers other issues as well. The empirical work in this area uses the 1993 and 1995 Canadian Out of Employment Panels. This remarkable data set gives more information about the circumstances of unemployed people and their household than any other data anywhere. In particular there is a wealth of information (from the waves of the survey and from linked administrative and tax data) concerning incomes, assets and consumption (as well as more usual information on, for example, wages, unemployment spells and demographics). In a pair of papers with Tom Crossley (York University), we make a start in looking at what happens to the living standards of households who have a member who experiences a long spell of unemployment (between six and nine months). The first

of these papers is fairly conventional and treats expenditure as though it is consumption. We look at who experiences a large fall in total expenditure and how this is affected by the income replacement that UI benefits provide. The second paper attempts to get at the question of how poor people smooth consumption over a temporary loss of income (if indeed they do). The starting point is the observation that such households cannot be running down savings since they typically do not have much liquid wealth. Equally they cannot be running up debt since the possibilities for doing this are small during an unemployment spell. We suggest, instead, that during a temporary spell of low income one mechanism households have available to "make ends meet" is to postpone the replacement of small durables such as clothing or (my favourite) pillows. As well as the empirical work with Crossley this has led to further theoretical work that addresses the likely importance of small durables and clothing (which account for about 20% of total expenditure in "normal" times) in smoothing.

Seminar series

CILN holds a regular seminar series based at McMaster. In addition, CILN hosts short-term visitors engaged in research related to CILN themes. In the Fall of 1996, Eric Smith from

Essex was such a visitor to CILN.

- November 1 **Eric Smith** (Essex and McMaster) "The Effects of Intermediation on the Buy or Make Decision."
- November 13 **Eric Smith** (Essex and McMaster) "The Low Skill Trap."
- November 22 **Annamaria Lusardi** (Dartmouth College) "The Wealth Accumulation of Different Cohorts: a Panel Analysis."
- November 27 **Jennifer Stewart** (McMaster University) "Illness and Unemployment Spells."
- December 4 **Kelly Bedard** (CILN) "Acquiring Skills and Insurance through Education."
- December 11 **Heather Antecol** (McMaster University) "Sex Discrimination in the Labour Market."
- January 24 **Eric Hanushek** (Rochester) "Schooling, Labour Force Quality and the Growth of Nations."

CILN website

The CILN website

<http://labour.ciln.mcmaster.ca>

now contains seminar listings, member coordinates, and links to other labour and economic sites. It also has a nascent Working Paper archive and a planned site

with links to many international comparative data sources. CILN recently hired a full-time data librarian, Malik Ljusic, who will be coordinating the data and Working Paper site development. He can be reached at ciln@mcmaster.ca

CILN at the Learned's

CILN is organizing a special session on youth labour markets, "The Generation Gap in Labour Markets: International Perspectives," to be held in conjunction with the annual meetings of the Canadian Economic Association in Saint John's, Newfoundland. The session will be held on June 6, 1997, and will include a presentation of the latest findings from a comparative project undertaken by David Blanchflower and Richard Freeman for the OECD.

Coordinates

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