This series provides a reading list of the most recent research in the area of inequality and poverty reduction. The purpose of this note is to globally disseminate relevant work among academics, practitioners and civil society. Subscribe at nip.bulletin@gmail.com.

**The Evolution of Income, Consumption, and Leisure Inequality in the US, 1980-2010**

*By ORAZIO ATTANASIO, ERIK HURST and LUIGI PISTAFERRI*

Web link for this reading

Recent research has documented that income inequality in the United States has increased dramatically over the prior three decades. There has been less of a consensus, however, on whether the increase in income inequality was matched by an equally large increase in consumption inequality. Most researchers have studied this question using data from the Consumer Expenditure Survey (CE) and some studies have suggested that the increase in consumption inequality has been modest. Unfortunately, there is now mounting evidence that the CE is plagued by serious non-classical measurement error, which hinders the extent to which definitive conclusions can be made about the extent to which consumption inequality has evolved over the last three decades. In this paper, we use a variety of different techniques to overcome the measurement error problems with the CE. First, we use data from the diary component of the CE, focusing on categories where measurement error has been found to be less of an issue. Second, we explore inequality measures within the CE using the value of vehicles owned, a consumption component that is considered to be measured well. Third, we try to account directly for the non-classical measurement error of the CE by comparing the spending on luxuries (entertainment) relative to necessities (food). This is similar to the recent approach taken by Browning and Crossley (2009) and Aguiar and Bils (2011). Finally, we use expenditure data from the Panel Study of Income Dynamics to explore the dynamics of alternative measures of consumption inequality. All of our different methods yield similar results. We find that consumption inequality within the U.S. between 1980 and 2010 has increased by nearly the same amount as income inequality.

**Heterogeneity in Human Capital Investments: High School Curriculum, College Major, and Careers**

*By JOSEPH G. ALTONJI, ERICA BLOM and COSTAS MEGHIR*

Web link for this reading

Motivated by the large differences in labor market outcomes across college majors, we survey the
literature on the demand for and return to high school and post-secondary education by field of study. We combine elements from several papers to provide a dynamic model of education and occupation choice that stresses the roles of specificity of human capital and uncertainty about preferences, ability, education outcomes, and labor market returns. The model implies an important distinction between the ex ante and ex post returns to education decisions. We also discuss some of the econometric difficulties in estimating the causal effects of field of study on wages in the context of a sequential choice model with learning. Finally, we review the empirical literature on choice of curriculum and the effects of high school courses and college major on labor market outcomes.

Trends and Educational Differentials in Marriage Formation Among Taiwanese Women

By JUI-CHUNG ALLEN LI

Using data pooled from 15 waves of the Women’s Marriage, Fertility, and Employment Survey, this paper documents trends and educational differentials in marriage formation among Taiwanese women born between 1910 and 1979. Estimates of hazard rates and cumulative probabilities of first marriage show that women born in more recent cohorts married later and less often than those born in earlier cohorts; likewise, more highly educated women tended to marry later and less often than their less educated counterparts. Educational differentials have increased across successive birth cohorts, such that one in four college-educated women born in the 1960s was never married by age 40.

The Effect of Child Care on Family Structure: Theory and Evidence

By STEFAN BAUERNSCHUSTER and RAINALD BORCK

This paper studies the effect of child care provision on family structure. We present a model of a marriage market with positive assortative matching, where in equilibrium the poorest women stay single. Couples have to decide on the number of children and spousal specialization in home production of public goods and child care. We then study how child care provision affects the equilibrium. Due to specialization in home production, the incentive to use child care is smaller for married mothers than for single mothers. We show that this increases the number of single mothers and the divorce rate. Using survey data from Germany, we also present empirical evidence which is consistent with this finding.

The impact of health events on individual labor market histories: the message from difference in differences with exact matching

By Emmanuelle Duguet and Christine Le Clainche
We studied the effect of health events (accidents and chronic diseases) on the occupation probabilities at the individual level, while accounting for both correlated individual and time effects. Using difference-in-differences with exact matching estimators, we found that health events have a strong impact on individual labor market histories. The workers affected by a health event have a stronger probability of entering inactivity and a lower probability of keeping their jobs. We also found that the less qualified workers, women, and workers with short term jobs are the most negatively affected by health events.

Well-being, Health and Work

*By Alex Bryson, Francis Green, Bridges and S. Craig, R.*

This paper presents measures of subjective well-being in England using a specially designed module of the 2010 Health Survey for England. It also looks at the relationship between well-being and labour market status, and, among those who are working, considers how wellbeing is associated with aspects of job quality.

Influence of Parents’ Unemployment on the Health of Newborn Babies

*By Miki Kohara and Fumio Ohtake*

Recent research has shown that low-income households have a higher probability of babies being born underweight, which is an indicator of poor health. The causes and effects of the weights of newborn babies need to be analyzed in Japan, where the proportion of low-weight babies is extremely high relative to the other OECD countries. In this paper, we use panel data by prefecture to analyze the influence of market labor conditions on the weights of newborn babies in Japan. Controlling for heterogeneity among prefectures and years as random effects, we first show that high unemployment rates among parents do reduce the weights of newborn babies. However, our analysis does not confirm the influence of poverty and low income on the weights of newborn babies. Unemployment of parents may hamper the health of a baby for reasons other than financial difficulties.

Wage Discrimination over the Business Cycle

*By Jeff E. Biddle and Daniel S. Hamermesh*

Using CPS data from 1979-2009 we examine how cyclical downturns and industry-specific demand shocks affect wage differentials between white non-Hispanic men and women, Hispanics and non-
Hispanic whites, and African-Americans and non-Hispanic whites. Women’s relative earnings are harmed by negative shocks; the wage disadvantage of African-Americans drops with negative shocks, which have slight negative effects on Hispanics’ relative wages. Negative shocks also increase the earnings disadvantage of bad-looking workers. A theory of job search suggests two opposite-signed mechanisms that affect these wage differentials. It suggests greater absolute effects among job-movers, which is verified using the longitudinal component of the CPS.

**Measuring Segregation: Basic Concepts and Extensions to Other Domains**

By SILBER Jacques

This paper presents the main concepts used in measuring segregation. First it shows that the cardinal as well as the ordinal approach to the measurement of occupational segregation, when only two groups are considered (generally men and women), borrowed many ideas from the income inequality measurement literature. Second, it shows that more recent advances in segregation measurement, that were the consequence of an extension of segregation measures to the case of multi-group segregation and more recently to the analysis of ordinal segregation, could be the basis for additional approaches to the measurement of economic inequality, in particular inequality in life chances, health and happiness, and eventually also to the study of polarization. Finally because the measurement of spatial segregation is a field in itself, this paper only marginally mentions concepts that have been introduced in this no less fascinating domain.

**Identification of income-leisure preferences and evaluation of income tax policy**

By Charles Manski

The merits of alternative income tax policies depend on the population distribution of preferences for income and leisure. Standard theory, which supposes that persons want more income and more leisure, does not predict how they resolve the tension between these desires. Empirical studies of labor supply have imposed strong preference assumptions that lack foundation. This paper examines anew the problem of inference on income-leisure preferences and considers the implications for evaluation of tax policy. I first perform a basic revealed-preference analysis assuming only that persons prefer more income and leisure. This shows that observation of a person’s time allocation under a status quo tax policy may bound his allocation under a proposed policy or may have no implications, depending on the tax schedules and the person’s status quo time allocation. I next explore the identifying power of two classes of assumptions that restrict the distribution of income-leisure preferences. One assumes that groups of persons who face different choice sets have the same preference distribution. The second restricts the shape of this distribution. The generic finding is partial identification of preferences. This implies partial prediction of tax revenue under proposed policies and partial knowledge of the welfare function for utilitarian policy evaluation.

**Robust Estimation of Wage Dispersion with Censored Data: An Application to Occupational Earnings Risk and Risk Attitudes**
We present a semiparametric method to estimate group-level dispersion, which is particularly effective in the presence of censored data. We apply this procedure to obtain measures of occupation-specific wage dispersion using top-coded administrative wage data from the German IAB Employment Sample (IABS). We then relate these robust measures of earnings risk to the risk attitudes of individuals working in these occupations. We find that willingness to take risk is positively correlated with the wage dispersion of an individual's occupation.

Education, Health and Mortality: Evidence from a Social Experiment

By Meghir, Costas, Palme, Mårten and Simeonova, Emilia

We study the effect of a compulsory education reform in Sweden on adult health and mortality. The reform was implemented by municipalities between 1949 and 1962 as a social experiment and implied an extension of compulsory schooling from 7 or 8 years depending on municipality to 9 years nationally. We use detailed individual data on education, hospitalizations, labor force participation and mortality for Swedes born between 1946 and 1957. Individual level data allow us to study the effect of the education reform on three main groups of outcomes: (i) mortality until age 60 for different causes of death; (ii) hospitalization by cause and (iii) exit from the labor force primarily through the disability insurance program. The results show reduced male mortality up to age fifty for those assigned to the reform, but these gains were erased by increased mortality later on. We find similar patterns in the probability of being hospitalized and the average costs of inpatient care. Men who acquired more education due to the reform are less likely to retire early.

A subgroup decomposition of inequality of poverty in Cameroon

By BILOA ESSIMI Jean Aristide, BEJA CHAMENI NEMBUA Célestin and CNC MIAMO WENDJI Clovis, MWC

This paper studies multi-dimensional aspects of deprivation associated to the living conditions and inequality status in Cameroon. The study employs the fuzzy-set framework to analyze deprivation and inequalities through Dagum sub group decomposition. Results in deprivation analysis and inequalities related reveal some new insights about the poverty situation in the country, which contrasts with the results available from traditional poverty analysis. We observe respectively, high deprivation degrees for household ‘essential’ items such as health, education and housing and a small Gini index for inequalities of deprivation. Decomposition by group reveals that within groups inequalities are as important as the between groups.

In this paper, we develop a gender-specific crosswalk based on dual-coded Current Population Survey data to bridge the change in the Census occupational coding system that occurred in 2000 and use it to provide the first analysis of the trends in occupational segregation by sex for the 1970-2009 period based on a consistent set of occupational codes and data sources. We show that our gender-specific crosswalk more accurately captures the trends in occupational segregation that are masked using the aggregate crosswalk (based on combined male and female employment) provided by the U.S. Census Bureau. Using the 2000 occupational codes, we find that segregation by sex declined over the period but at a diminished pace over the decades, falling by 6.1 percentage points over the 1970s, 4.3 percentage points over the 1980s, 2.1 percentage points over the 1990s, and only 1.1 percentage points (on a decadal basis) over the 2000s. A primary mechanism by which occupational segregation was reduced over the 1970-2009 period was through the entry of new cohorts of women, presumably better prepared than their predecessors and/or encountering less labor market discrimination; during the 1970s and 1980s, however, there were also decreases in occupational segregation within cohorts. Reductions in segregation were correlated with education, with the largest decrease among college graduates and very little change in segregation among high school dropouts.

El objetivo de este trabajo es reseñar brevemente los métodos tradicionales de evaluación del impacto distributivo de las políticas públicas y discutir algunos de los avances más relevantes en los últimos veinte años. El trabajo se concentra en la evaluación de programas sociales, dejando de lado otras intervenciones públicas y su financiamiento. El trabajo resume los progresos a nivel internacional con algunas referencias a la experiencia argentina.

We present a dynamic OLG model of educational signaling, inequality and mobility with missing credit markets. Agents are characterized by two sources of unobserved heterogeneity: ability and parental income, consistent with empirical evidence on returns to schooling. Both quantity and quality of human capital evolve endogenously. The model generates a Kuznets inverted-U pattern in skill premia similar to historical US and UK experience. In the first (resp. later) phase the skill premium rises (falls), social returns to education exceed (falls below) private returns: under-investment owing to financial imperfections dominate (are dominated by) over-investment owing to signaling distortions. There always exist Pareto-improving policy interventions reallocating education between poor and rich children.
In recent years, child-related policies in Spain have experienced relevant changes at different government levels. The central government implemented a new universal child benefit at birth and reformed some of the most relevant policies for children living in low income households. Also, many regional governments (Comunidades Autonomas) have implemented their own policies to support families with children with different schemes in terms of design and generosity. All these policies have increased social protection expenditure aimed at families and children in Spain as a whole along the last decade (one of the lowest in the EU). So far, however, little is known about their impact on child poverty in Spain. Making use of the tax-benefit microsimulation model for the European Union EUROMOD this paper simulates the eligibility and receipt of most of the existing monetary child-related policies at all government levels and assesses their real (for central government policies) or potential (for regional policies) effect on the reduction of child poverty in Spain. Our results underline that, even after the introduction of a universal lump-sum benefit for newborns at the central government level in 2007, in aggregate terms, central government tax credits are the main child-related policy in Spain. Results also underline that central government policies have a considerably larger role in reducing poverty risk even if policies in some regions perform best than others. In general, our simulations suggest that regional benefits and tax credits reinforce and complement the focus of central government policies on younger children, who, on the other hand, seem to be less vulnerable to poverty than older children in Spain.

This chapter reviews and discusses major theories and empirical studies about the welfare magnet hypothesis, i.e. whether immigrants are more likely to move to countries with generous welfare systems. Although economic theory predicts that welfare generosity affects the number, composition and location of immigrants, the empirical evidence is rather mixed. We offer possible explanations for the existence of such mixed evidence and highlight that the literature so far has overlooked the presence of different migration regimes, as well as the possibility of reverse causality between welfare spending and immigration.

Based on administrative panel data from Norway, we examine how social insurance dependency spreads within neighborhoods, families, ethnic minorities, and among former schoolmates. We use a fixed effects methodology that accounts for endogenous group formation, contextual interactions, and time-constant as well as time-varying confounders. We report evidence that social insurance
dependency is contagious. The estimated network effects are both quantitatively and statistically significant, and they rise rapidly with "relational closeness" in a way that establishes endogenous social interaction as a central causal mechanism. Social interactions do not cross ethnic borders.

MULTIMEDIA

James Galbraith

James Galbraith, Lloyd M. Bentsen Jr. Chair in Government and Business Relations, University of Texas speaking at the panel entitled "The Impact of Inequality on Macroeconomics Dynamics" at the Institute for New Economic Thinking's (INET) Paradigm Lost Conference in Berlin. April 14, 2012.

David Autor on Disability

David Autor of MIT talks with EconTalk host Russ Roberts about the Social Security Disability Insurance (SSDI) program. SSDI has grown dramatically in recent years and now costs about $200 billion a year. Autor explains how the program works, why the growth has been so dramatic, and the consequences for the stability of the program in the future. This is an illuminated look at the interaction between politics and economics and reveals an activity of government that is relatively ignored today but will not be able to be ignored in the future.

Readings and Links related to this podcast

About this week's guest:

David Autor's Home page

About ideas and people mentioned in this podcast:

Articles:


Podcasts and Blogs:
Bruce Yandle on Bootleggers and Baptists. EconTalk podcast.

Hennessey on the Debt Ceiling and the Budget Process. EconTalk podcast.

Source: EconTalk by Russ Roberts (http://www.econtalk.org/)

CAFE MONTEVIDEO

Glenn Loury & John McWhorter

Web link for this reading

This week on The Glenn Show, John and Glenn talk about their personal and professional lives. Have professors abandoned engaging with the broader intellectual world? John announces his new position at Columbia University and Glenn explains why he so loves teaching at a place like Brown. John and Glenn make the case against political correctness in the classroom. John waxes eloquent about the joys and sorrows of fatherhood. Glenn relates his existential crisis in the wake of his wife’s recent death, and John gives him some sage advice.

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NEWS

II Concurso de Ensayos para estudiantes de grado y posgrado sobre temas laborales y sociales en América Latina

El CEDLAS de la Universidad Nacional de La Plata (UNLP), en celebración de su 10° Aniversario y con el apoyo del International Development Research Center del gobierno de Canadá (IDRC) en el marco del proyecto Mercados de Trabajo para el Crecimiento Inclusivo en América Latina, organiza el segundo concurso de ensayos sobre temas laborales y sociales en América Latina y el Caribe, destinado a estudiantes de grado y posgrado en Economía de universidades de...
todo el mundo.
Sitio Web: http://cedlas.econo.unlp.edu.ar
Proyecto LaborAL: www.Labor-AL.org

**LINKS**

- Population Studies Center (PSC) of the University of Pennsylvania (Penn)
- National Poverty Center (NPC)
- CEGA - Center of Evaluation for Global Action
- The Abdul Latif Jameel Poverty Action Lab
- Poverty Reduction and Equity
- Network on Inequality and Poverty
- BREAD - Bureau for Research and Economic Analysis of Development
- NYU-Development Research Institute
- GDN-The Global Development Network
- IPA-Innovation for Poverty Action
- VoxLACEA

Editor
Maximo Rossi
maximo.rossi@gmail.com

Department of Economics (dECON), Universidad de la República
Associate Research Fellow, Tulane University