



## POVERTY REDUCTION AND EQUITY READING LIST

This series provides a reading list of the most recent research in the area of inequality and poverty reduction. The purpose of this monthly note is to globally disseminate relevant work among academics, practitioners and civil society. To subscribe please: [nip.bulletin@gmail.com](mailto:nip.bulletin@gmail.com). Editor: Maximo Rossi: [maximo.rossi@gmail.com](mailto:maximo.rossi@gmail.com).

### The Financial Crisis and the Well-Being of Americans

By Angus S. Deaton



[Web link for this reading](#)

The Great Recession was associated with large changes in income, wealth, and unemployment, changes that affected many lives. Since January 2008, the Gallup Organization has been collecting daily data on 1,000 Americans each day, with a range of self-reported well-being (SWB) questions. I use these data to examine how the recession affected the emotional and evaluative lives of the population, as well as of subgroups within it. In the fall of 2008, around the time of the collapse of Lehman Brothers, and lasting into the spring of 2009, at the bottom of the stock market, Americans reported sharp declines in their life evaluation, sharp increases in worry and stress, and declines in positive affect. By the end of 2010, in spite of continuing high unemployment, these measures had largely recovered, though worry remained higher and life evaluation lower than in January 2008. The SWB measures do a much better job of monitoring short-run levels of anxiety as the crisis unfolded than they do of reflecting the evolution of the economy over a year or two. Even large macroeconomic shocks to income and unemployment can be expected to produce only small and hard to detect effects on SWB measures. SWB, particularly evaluation of life as a whole, is sensitive to question order effects. Asking political questions before the life evaluation question reduces reported life evaluation by an amount that dwarfs the effects of even the worst of the crisis; these order effects persist deep into the interview, and condition the reporting of hedonic experience and of satisfaction with standard of living. Methods for controlling these effects need to be developed and tested if national measures are to be comparable over space and time.

## Are Americans Really Less Happy with Their Incomes?

By Arie Kapteyn, James Smith and Arthur Van Soest



[Web link for this reading](#)

Recent economic research on international comparisons of subjective well-being suffers from several important biases due to the potential incomparability of response scales within and across countries. In this paper the authors concentrate on self-reported satisfaction with income in two countries: The Netherlands and the U.S. The comparability problem is addressed by using anchoring vignettes. They find that in the raw data, Americans appear decidedly less satisfied with their income than the Dutch. It turns out however that after response scale adjustment based on vignettes the distribution of satisfaction in the two countries is essentially identical. In addition, they find that the within-country cross-sectional effect of income on satisfaction- a key parameter in the recent debate in the economic literature- is significantly under-estimated especially in the US- when differences in response scales are not taken into account.

## Mothers Do Matter: New Evidence on the Effect of Parents' Schooling on Children's Schooling Using Swedish Twin Data

By Vikesh Amin, Petter Lundborg and Dan-Olof Rooth



[Web link for this reading](#)

Behrman and Rosenzweig (2002) used data on a small sample of MZ (monozygotic, identical) twin parents and their children to show that father's schooling is more important than mother's schooling for children's schooling in the U.S. Recent studies based on much larger samples of twins from registry data in Scandinavian countries reach similar conclusions. Most of these studies, however, are unable to distinguish between MZ and DZ (dizygotic, fraternal) twins. Using data from the Swedish Twin Registry, we replicate the finding that father's schooling matters more than mother's schooling in a combined sample of MZ and DZ twin parents. In contrast, results based on MZ twin parents show that mother's schooling matters at least as much as father's schooling for children's schooling. We also estimate the effect of parents' schooling separately by child gender and find this effect to be entirely driven by the impact of mother's schooling on daughter's schooling. Our results show that (1) it is vital to have zygosity information to estimate causal intergenerational effects and (2) the conclusions reached by Behrman and Rosenzweig (2002) for the U.S. do not apply in Sweden.

## Teachers' Salaries in Latin America: How Much Are They (Under or Over) Paid?

By *Alejandra Mizala and Hugo Nopo*



[Web link for this reading](#)

This paper documents the extent to which teachers are underpaid vis-à-vis workers in other professional and technical occupations in Latin America circa 2007. These labor earnings differences, attributed to observable socio-demographic and job characteristics, are assessed using a matching methodology (Ñopo, 2008). Teachers' underpayment is found to be stronger than what has been previously reported in the literature, especially among pre-school and primary teachers. Nonetheless, behind the region averages there is an important cross-country heterogeneity. Teachers' underpayment is more pronounced among males, older workers, household heads, part-timers, formal workers, those who work in the private sector, and (mostly) among those with complete tertiary education. Two amenities of the teaching profession, namely the longer job tenure and the flexible job schedules within the year, are also explored. Even after accounting for the possible compensating differentials of these ! two amenities, teachers' underpayment vis-à-vis that of other professional and technicians prevail.

## Social Preferences: Some Thoughts from the Field

By John A. List



[Web link for this reading](#)

This review steps back from the burgeoning economics literature on measuring social preferences and considers more carefully the empirical evidence from the lab and the field. I place the claims from the ardent supporters of the literature into three bins: one for claims that are supported by the data upon closer scrutiny, one for claims that are not supported by the data upon closer scrutiny, and one for claims that may or may not be true. The third set of claims highlights important theoretical and empirical investigations that need to be done to further our understanding of the nature and import of social preferences.

## Are Occupations Paid What They Are Worth? An Econometric Study of Occupational Wage Inequality and Productivity

By *Stephan Kampelmann, Francois Rycx*



[Web link for this reading](#)

Labour economists typically assume that pay differences between occupations can be explained with variations in productivity. The empirical evidence on the validity of this assumption is surprisingly thin and subject to various potential biases. The authors use matched employer-employee panel data from Belgium for the years 1999-2006 to examine occupational productivity-

wage gaps. They find that occupations play distinct roles for remuneration and productivity: while the estimations indicate a significant upward-sloping occupational wage-profile, the hypothesis of a flat productivity-profile cannot be rejected. The corresponding pattern of over- and underpayment stands up to a series of robustness tests.

## **Gender Gaps across Countries and Skills: Supply, Demand and the Industry Structure**

By *Claudia Olivetti, Barbara Petrongolo*



[Web link for this reading](#)

The gender wage gap varies widely across countries and across skill groups within countries. Interestingly, there is a positive cross-country correlation between the unskilled-to-skilled gender wage gap and the corresponding gap in hours worked. Based on a canonical supply and demand framework, this positive correlation would reveal the presence of net demand forces shaping gender differences in labor market outcomes across skills and countries. We use a simple multi-sector framework to illustrate how differences in labor demand for different inputs can be driven by both within-industry and between-industry factors. The main idea is that, if the service sector is more developed in the US than in continental Europe, and unskilled women tend to be over-represented in this sector, we expect unskilled women to suffer a relatively large wage and/or employment penalty in the latter than in the former. We find that, overall, the between-industry component of labor demand explains more than half of the total variation in labor demand between the US and the majority of countries in our sample, as well as one-third of the correlation between wage and hours gaps. The between-industry component is relatively more important in countries where the relative demand for unskilled females is lowest.

## **Multidimensional Affluence: Theory and Applications to Germany and the US**

By *Andreas Peichl, Nico Pestel*



[Web link for this reading](#)

This paper suggests multidimensional affluence measures for the top of the distribution. In contrast to commonly used top income shares, they allow the analysis of the extent, intensity and breadth of affluence in several dimensions within a common framework. We illustrate this by analyzing the role of income and wealth as dimensions of multidimensional well-being in Germany and the US in 2007 as well as for the US over the period 1989-2007. We find distinct country differences with the country ranking depending on the measure. While in Germany wealth predominantly contributes to the intensity of affluence, income is more important in the US.

## Economic Growth and Child Poverty Reduction in Bangladesh and China

By Syeda Shahanara Begum, Quheng Deng, Björn Gustafsson



[Web link for this reading](#)

This paper analyzes child poverty in Bangladesh and China during periods of rapid economic growth in both countries. It compares the extent as well as profile of child poverty in both countries. Comparisons on the extent of child poverty, over time and across countries, are made using a decomposition framework attributing child poverty differences to differences in the three components mean child income, demographic circumstances and the distribution of child income. Child poverty is found to be more extensive in Bangladesh than in China, and is very much a problem for rural children in both countries. The results show that economic growth can reduce child poverty but does not do so always. For understanding changes over time and across countries in the extent of child poverty, it can be necessary to also consider changes/differences in the distribution of child income as well as in the demographic composition.

## Impact of cultural diversity on wages and job satisfaction in England

By Longhi, Simonetta



[Web link for this reading](#)

This paper combines individual data from the British Household Panel Survey and yearly population estimates for England to analyse the impact of cultural diversity on individual wages and on different aspects of job satisfaction. Do people living in more diverse areas have higher wages and job satisfaction after controlling for other observable characteristics? The results show that cultural diversity is positively associated with wages, but only when cross-section data are used. Panel data estimations show that there is no impact of diversity. Using instrumental variables to account for endogeneity also show that diversity has no impact.

## Recent Perspectives on Trade and Inequality

By Ann Harrison, John McLaren and Margaret Mcmillan



[Web link for this reading](#)

The 1990's dealt a blow to traditional Heckscher-Ohlin analysis of the relationship between trade and income inequality, as it became clear that rising inequality in low-income countries and other features of the data were inconsistent with that model. As a result, economists moved away from trade as a plausible explanation for rising income inequality. In recent years, however, a number of new mechanisms have been explored through which trade can affect (and usually increase) income inequality. These include within-industry effects due to heterogeneous-firms; effects of offshoring of tasks; effects on incomplete contracting; and effects of labor-market frictions. A number these mechanisms have received substantial empirical support.

## Measuring the Economic Gain of Investing in Girls: The Girl Effect Dividend

By Jad Chaaban and Wendy Cunningham



[Web link for this reading](#)

Although girls are approximately half the youth population in developing countries, they contribute less than their potential to the economy. The objective of this paper is to quantify the opportunity cost of girls' exclusion from productive employment with the hope that stark figures will lead policymakers to reconsider the current underinvestment in girls. The paper explores the linkages between investing in girls and potential increases in national income by examining three widely prevalent aspects of adolescent girls' lives: early school dropout, teenage pregnancy and joblessness. The countries included in the analysis are: Bangladesh, Brazil, Burundi, China, Ethiopia, India, Kenya, Malawi, Nigeria, Paraguay, Senegal, South Africa, Tanzania, and Uganda. The authors use secondary data to allow for some comparability across countries. They find that investing in girls so that they would complete the next level of education would lead to lifetime earnings of today's cohort of girls that is equivalent to up to 68 percent of annual gross domestic product. When adjusting for ability bias and labor demand elasticities, this figure falls to 54 percent, or 1.5 percent per year. Closing the inactivity rate between girls and boys would increase gross domestic product by up to 5.4 percent, but when accounting for students, male-female wage gaps and labor demand elasticities, the joblessness gap between girls and their male counterparts yields an increase in gross domestic product of up to 1.2 percent in a single year. The cost of adolescent pregnancy as a share of gross domestic could be as high as 30 percent or as low as 1 percent over a girl's lifetime, depending on the assumptions used to calculate the losses.

## Racial Discrimination in the Labor Market: Theory and Empirics

By Kevin Lang, Jee-Yeon K. Lehmann



[Web link for this reading](#)

We review theories of race discrimination in the labor market. Taste-based models can generate wage and unemployment duration differentials when combined with either random or directed search even when strong prejudice is not widespread, but no existing model explains the unemployment rate differential. Models of statistical discrimination based on differential observability of productivity across races can explain the pattern and magnitudes of wage differentials but do not address employment and unemployment. At their current state of development, models of statistical discrimination based on rational stereotypes have little empirical content. It is plausible that models combining elements of the search models with statistical discrimination could fit the data. We suggest possible avenues to be pursued and comment briefly on the implication of existing theory for public policy.

## Gender Discrimination in Job Ads: Theory and Evidence

By Peter J. Kuhn, Kailing Shen



[Web link for this reading](#)

We study firms' advertised gender preferences in a population of ads on a Chinese internet job board, and interpret these patterns using a simple employer search model. The model allows us to distinguish firms' underlying gender preferences from firms' propensities to restrict their search to their preferred gender. The model also predicts that higher job skill requirements should reduce the tendency to gender-target a job ad; this is strongly confirmed in our data, and suggests that rising skill demands may be a potent deterrent to explicit discrimination of the type we document here. We also find that firms' underlying gender preferences are highly job-specific, with many firms requesting men for some jobs and women for others, and with one third of the variation in gender preferences within firm\*occupation cells.

## Is Leisure a Normal Good? Evidence from the European Parliament

By Naci Mocan and Duha T. Altindag



[Web link for this reading](#)

Prior to July 2009, salaries of the members of the European Parliament were paid by their home country and there were substantial salary differences between parliamentarians representing different EU countries. Starting in July 2009, the salary of each member of the Parliament is pegged to 38.5% of a European Court judge's salary, paid by the EU. This created an exogenous change in salaries, the magnitude and direction of which varied substantially between parliamentarians. Parliamentarians receive per diem compensation for each plenary session they attend, but salaries constitute unearned income as they are independent of attendance to the Parliament. Using detailed information on each parliamentarian of the European Parliament between 2004 and 2011 we show that an increase in salaries reduces attendance to plenary sessions and an increase in per diem compensation increases it. We also show that corruption in home country has a negative effect on attendance for seasoned members of the Parliament.

## The interplay of employment uncertainty and education in explaining second births in Europe

By Alicia Adsera



[Web link for this reading](#)

Periods of high and persistent unemployment since the late 1980s as well as an upward trend in the share of temporary employment characterize recent labor market instability in Europe. This paper analyzes the associations between timing to a second birth and changing economic environment. In particular, it focuses in understanding what dimensions of economic uncertainty affect women with different educational background. First it employs time varying measures of aggregate market conditions for women in twelve European countries as well as micro-measures of each woman's labor market history in a proportional hazard model of second births. Both individual and aggregate unemployment as well as temporary employment are coupled with later second births. Unemployment slows down childbearing plans, particularly for the least educated, whereas holding a very short contract deters the most educated. Second, I use the 2006 Spanish Fertility Survey to show how education and the economic conditions - provincial unemployment and share of temporary employment- faced by women as they enter the labor market in their early twenties are connected with their timing to second births.

## Changes in the age-at-death distribution in four low mortality countries: A nonparametric approach

By Nadine Ouellette and Robert Bourbeau



[Web link for this reading](#)

Since the beginning of the twentieth century, important transformations have occurred in the age-at-death distribution within human populations. We propose a flexible nonparametric smoothing approach based on P-splines to refine the monitoring of these changes. Using data from the Human Mortality Database for four low mortality countries, namely Canada (1921-2007), France (1920-2009), Japan (1947-2009), and the USA (1945-2007), we find that the general scenario of compression of mortality no longer describes appropriately some of the recent adult mortality trends recorded. Indeed, reductions in the variability of age at death above the mode have stopped since the early 1990s in Japan and since the early 2000s for Canadian, US, and French women, while their respective modal age at death continued to increase. These findings provide additional support to the shifting mortality scenario, using an alternative method free from any assumption on the shape of the age-at-death distribution.

### Violence Vanquished



[Web link for this reading](#)

We believe our world is riddled with terror and war, but we may be living in the most peaceable era in human existence. Steven Pinker on why brutality is declining and empathy is on the rise. Adapted from *The Better Angels of Our Nature: Why Violence Has Declined*.

### Who is the typical client for a witch?



[Web link for this reading](#)

Freakonomics » The Folly of Prediction

### Ethics in Economics



[Web link for this reading](#)

This video shows a dozen prominent economists, each with a different take on corruption in academia: we are all right; economics is no more corrupted than other sciences; corruption is substantial; economics is rotten to the core.

---

## News

### Call for papers

- [Cambridge Journal of Economics: the Future of Capitalism](#). Deadline for paper submission: 15 February 2012.
- [Mainz Workshop on Behavioural and Emotional Economics](#). Mainz, 23 January 2012. Deadline for paper submission: 4 December 2011.
- [Review of Network Economics: Social Networks and Economics](#). Deadline for paper submission: 1 December 2011.
- [Institutionalism and Building a Better Future](#). Houston, Texas, 11-14 April 2012. Deadline for paper submission: 1 December 2011.

### New journals

JEOD – Journal Entrepreneurial and Organizational Diversity

<http://www.jeodonline.com/editorial-board>.

<http://www.jeodonline.com/authors>.

For submit, please email your manuscript directly to [editorialoffice@jeodonline.com](mailto:editorialoffice@jeodonline.com).

---

## 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](#)**

**NIP - Poverty Reduction and Equity Bulletin**

**September 2011**

**Editor: Máximo Rossi**

**Department of Economics (dECON), Universidad de la República**

**Associate Research Fellow, Tulane University**