

Conference on Quantitative Economics: Visitors and New Face in IER

29 July 2015

1:30 pm – 6 pm @ conference room, Institute of Economic Research, Hitotsubashi University
Sponsored by Joint Usage and Research Center, Institute of Economic Research,
Hitotsubashi University

[Advanced registration is not required]

Program (subject to change)

13:30-14:30 **Satoshi TANAKA** (University of Queensland)

"Multi-Dimensional Skill Mismatch" (with Fatih Guvenen, Burhan Kuruscu, and David Wiczer)

At least since Jovanovic (1979), match quality is a central concept in studies of the labor market. But how this match quality should be linked to empirically observable variables has remained elusive. In this paper, we propose an empirical measure that is based on the concordance between a worker's (multi-dimensional) skill portfolio and the corresponding vector of skills required by his occupation. This measure naturally arises in a dynamic model of occupational choice with multi-dimensional skills, and Bayesian learning about one's ability to accumulate these skills. Within this model, mismatch affects the return to occupational tenure and it predicts occupational switching behavior. We construct our data analog using data from the Armed Services Vocational Aptitude Battery (ASVAB), O*NET, and National Longitudinal Survey of Youth 1979 (NLSY79). We show various channels through which this measure is central to the career outcomes of workers. Low measured match quality reduces wage growth within an occupational stint. Furthermore there is a persistence over the life-cycle: match quality in occupations held early in life has a strong effect on wages in future occupations. Skill mismatch also significantly increases the probability of an occupational switch and predicts its direction. We view these findings within the context of a dynamic model of occupational choice, learning and human capital accumulation. We believe that our study sheds light on the importance of during an (i) occupational match quality in the determination of wages, and (ii) workers' learning process in the determination of this match quality.

14:30-15:30 **Ryo JINNAI** (Hitotsubashi University)

"Liquidity, Trends, and the Great Recession" (with Pablo Guerron-Quintana)

We study the impact that the liquidity crunch in 2008-2009 had on the U.S. economy's growth trend. To this end, we propose a model featuring endogenous productivity à la Romer and a liquidity friction à la Kiyotaki-Moore. A key finding in our study is that liquidity declined around the Lehman Brothers' demise, which led to the severe contraction in the economy. This liquidity shock was a tail event. Improving conditions in financial markets were crucial in the subsequent recovery. Had conditions remained at their worst level in 2008, output would have been 20 percent below its actual level in 2011. We show that a subsidy to entrepreneurs would have gone a long way averting the crisis.

Coffee Break (15:30-16:00)

16:00-17:00 **Shin KANAYA** (Aarhus University)

"Are University Admissions Academically Fair?" (with Debopam Bhattacharya and Margaret Stevens)

High-profile universities often face public criticism for undermining academic merit and promoting social elitism or engineering through their admissions-process. In this paper, we develop an empirical test for whether access to selective universities is meritocratic. We assume that students who are better-qualified on standard observable indicators would on average, but not necessarily with certainty, appear academically stronger to admission-tutors based on characteristics observable to them but not us. This assumption can be used to reveal information about the sign of differences in admission standards across demographic groups which are robust to omitted characteristics. Using admissions-data from a selective British university, we provide empirical support for our identifying assumptions and then apply our analysis to show that males and private school applicants face higher admission-standards, although application success-rates are equal across gender and school-type.

17:00-18:00 **Shintaro YAMAGUCHI** (McMaster University)

"Effects of Parental Leave Policies on Fertility and Female Labor Market Outcomes"

In this paper, I construct and estimate a dynamic discrete choice structural model of fertility and labor supply in the presence of parental leave legislation. The estimated structural model is used for an ex ante evaluation of parental leave expansions that include extending the duration of job protection and raising the replacement rate of the cash benefit. Counterfactual simulation results indicate that a one-year job protection significantly increased maternal employment and earnings, but extending it from one to three years and offering cash benefits have little effect. Overall, parental leave policies have little effect on fertility. I also find that policy effects are stronger for younger cohorts who observe a policy change several years before childbearing, because they adjust their career paths accordingly as soon as the policy change.

18:00 **Closing remark by organizer**

Conference dinner (18:30-20:30)