

John S. Earle

Upjohn Institute Hosts Research Conference on Microeconomic Analyses of Labor Reallocation

Together with IZA (Institute for the Study of Labor) and WDI (William Davidson Institute at the University of Michigan Business School), the Upjohn Institute recently organized a conference focused on the burgeoning research area of labor reallocation. About 45 participants from across the United States and 14 other countries assembled at Brook Lodge, a conference center near Kalamazoo that was developed around the late Dr. W.E. Upjohn's summer cottage in the early 20th century. Papers presented at the conference were selected through an open call, and the participation of some individuals, in particular several Russian economists, was supported by partial funding from a USAID Think Tank Partnership Grant to the Center for

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Labor Market Studies in Moscow, the CEU Labor Project in Budapest, IZA, and the Upjohn Institute.

The literature on labor reallocation presented at the conference has been spurred by a number of recent developments: the perceived increasing pace of structural change, the availability

of new microeconomic data (particularly involving the demand side of the labor market), and the example of drastic shifts and dislocation in the transition economies of Eastern Europe and the former Soviet Union. The conference included applied research using the micro-level data from a variety of economies, including the United States and other industrialized countries, as well as developing and transition economies. Comparative analyses of labor reallocation are particularly valuable because of the much greater variation in policies and institutions exhibited internationally and because the quality of data from other countries frequently surpasses those available in the United States. *Daniel Hamermesh* delivered the keynote address, which summarized some of these motivations for research in this area and discussed problems in implementing such research.

Worker Mobility and Displacement

The topics of the papers presented at the conference can be grouped in two broad categories. One category focused on worker mobility and displacement in the reallocation process. *Hank Farber*, for example, provided an analysis of the magnitude and consequences of job loss since 1981 in the United States, using the Displaced Worker Supplements to the Current Population Survey. Studies of the wage losses of displaced workers in France and Sweden were presented by *Arnaud LeFranc* and *Donald Storrer*,

respectively, while *Gerard Pfann* analyzed this issue for workers laid off from the Fokker Aircraft Company in the Netherlands. *Peter Kuhn* considered the possibility that workers with less skill specificity might cope better with displacement, *Klara Sabirianova Peter* investigated skill-bias in relative wage changes in Russia, and *Nuria Rodriguez-Planas* proposed that the presence of asymmetric information might imply that a longer unemployment duration, over some range, could provide a positive signal of quality to prospective employers; she also provided empirical evidence in support of this claim.

Katherine Terrell, in a paper with *Daniel Munich* and *Jan Svejnar*, estimated the returns to worker mobility in the Czech

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Republic over the turbulent period from 1989 to 1996, distinguishing workers who voluntarily quit from those who are laid off, and paying special attention to those who move to the new private sector in that transition economy.

Interfirm Reallocation of Labor

The second broad category of research focused on the firm side of the labor market: interfirm and interplant reallocation of jobs and workers, adjustment costs, institutional and policy constraints on adjustment, and restructuring and downsizing behavior. *John Haltiwanger* (together with *Lucia Foster* and *Chad Syverson*) discussed the possibility that firm turnover might involve selection based not only on productivity but also on profitability, which could imply that market power distorts the reallocation process. The question of the efficiency of reallocation was addressed from a different angle by

David Brown, who in a paper with *John Earle* estimated the impact on productivity-enhancing labor reallocation in Russia and Ukraine, comparing the Soviet to the post-Soviet periods and examining the effects of enterprise privatization and market liberalization. *Hartmut Lehmann* (together with *Atanas Christev* and *Olga Kupets*) estimated the effects of trade openness on job flows in Ukraine, and *Paul Devereux* used panel data in a reconsideration of the consequences of holding worker composition constant for the estimated cyclical relationship between industry employment and wages. *Catalina Amuedo-Dorantes* examined job flows of temporary and permanent workers in Spain, and *Anders Frederikson* and *Pekka Ilmakunnas* investigated job and worker flows in Denmark and Finland, respectively.

These topics have been central to the mission of the Upjohn Institute since its founding, which was motivated by Dr. Upjohn's concern for the welfare of workers, particularly those displaced as a result of demand shifts and economic downturns. The Institute was grateful for the joint sponsorship and enthusiastic partnership of IZA and WDI in this important endeavor to promote and disseminate valuable research in this area. Particular thanks go to the co-organizers Hartmut Lehmann (IZA) and Katherine Terrell (WDI).

All conference papers can be downloaded from the Upjohn Institute Web site: <http://www.upjohninstitute.org/confindex.htm>.

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2003 Dissertation Award Winners

First Prize (co-winners)

Rucker Charles Johnson
University of Michigan

James X. Sullivan
Northwestern University

Honorable Mention

Julie A. Kmec
University of Pennsylvania

Essays on Spatial Structure, Job Search, and Job Mobility

Rucker Charles Johnson

This dissertation consists of three self-contained essays that address two distinct topics in labor economics: 1) the effect of geographic accessibility to employment opportunities on job search outcomes, and 2) the effects of job skills on wage growth and job mobility patterns. Both of these have become increasingly important topics for study, amid the structural economic changes (over the past three decades) in employment—occupationally, sectorally, qualitatively, and geographically—that have resulted in increased earnings inequality within and between racial/ethnic and education groups.

The first essay emphasizes the spatial nature of the job search process and highlights the importance of spatial aspects of the labor market in shaping the structure of opportunity. The remaining two essays are thematically related, focusing on the earnings and job dynamics of former/current welfare recipients in the post-1996 welfare reform era. Both of these essays use new survey data from Michigan of both employers and longitudinal data of former/current recipients.

Essays on the Consumption, Saving, and Borrowing Behavior of Poor Households

James X. Sullivan

This thesis examines micro-level borrowing, saving, and consumption behavior of the poor in the United States. The four chapters in the thesis address several important policy-relevant issues related to the well-being of the poor, including the ability of households to maintain well-being during unemployment, the well-being of single mothers transitioning from welfare to work, and the impacts of welfare reform on saving.

Chapter 1 examines whether credit markets help poor households maintain well-being during spells of unemployment, and Chapter 2 addresses the issue of why the poor in the U.S. tend to have very low rates of saving. Chapters 3 and 4, both of which are joint works with Bruce Meyer, evaluate the merit of consumption and income measures of the material well-being of the poor, and examine how the dramatic changes in tax and welfare policies in the 1980s and 1990s affected the material well-being of low-educated single mothers.

Race in the Workplace and Labor Market Inequality

Julie A. Kmec

This dissertation integrates a labor market stratification and organizational demography approach to investigate race and sex labor market inequality. The foremost research concern is to investigate inequality in employer allocation of rewards to minority and majority group workers, and especially how the allocation of rewards occurs in and is patterned by features of work establishments. A second focus is on how employers systematically sort whites and minorities into different jobs. The analyses presented in this dissertation are among the first to use establishment-worker linked data to explore the association between race segregation at the job-level and worker outcomes.

Following a review of methods used to collect establishment-worker linked data, the first set of empirical analyses tests predictions from three theories about the effects of workplace race composition on individual wages and job benefits. A second set of analyses investigates the sources of variation in the race and sex composition within establishments. A final set of multivariate analyses explains the black-white gap in pay