

CELMR News

Recent research from CELMR

■ *Integration and Mobility of Eastern European Migrants into Scotland - By Heather Dickey and S. Shubin*

This research explores theoretical and practical issues related to employment migration and integration of Eastern European migrants in Scotland. Emerging mobile lifestyles create different patterns of living and working "on the move", which challenge existing social policies. By drawing on theorizations of mobility and integration from economics and geography, we propose a broader conceptualization of integration that recognizes the changing migration trajectories of Eastern European migrants. We adopt an interdisciplinary approach to the collection and analysis of data gathered from individual interviews and survey data in order to investigate the relationships between the movement of migrants, integration and employment.

PhD conference success

The fifth CELMR PhD Research Workshop took place on Friday 7 December 2012 in the Old Aberdeen Town House. The aim of the workshop was to provide training and guidance to the presenters on improving both the substance and the style of the presentation. Seven PhD students presented and defended their research ideas (see right for titles). The keynote speaker and discussant Professor Niels Westergård-Nielsen (university of Aarhus, Denmark) presented his latest research entitled "Part-time Work and Women's Life-time Earnings".

Dr John Skåtun, Head of Discipline in Economics, said "It is a great pleasure to once again host this valuable event which has enormous benefits in the training, networking and wellbeing of our PhD students, one of our strategic priorities in the Business School. I am grateful to Niels Westergård-Nielsen for his important participation and involvement and to Professor Theodossiou and David McCausland for their leadership of this event."



PhD conference titles

- Abayasekara Wannaku Abayasekara - *Emergence of Bio Fuels and the Changing World Oil Market Behaviour; Its Impact on Price Volatility and Price Transmission in the Coconut Industry of Sri Lanka.*
- Ourega-Zoe Ejebu - *Adverse Selection in the Credit Market for Consumer: Does Comparison Income Influence Households' Demand for Debt?*
- Ekelechi Ozemela - *Socioeconomic inequalities and its impact on maternal working conditions and birth outcomes*
- Makbule Gulbin Erdem - *A Discrete Analysis on Flexible Retirement Patterns in the UK*
- Acheampong, Theophilos - *Economic Incentives & Safety Outcomes in the Offshore Oil and Gas Industry*
- Yakubu Abdul-Salam - *A Comparative Analysis of Algorithms for Mass Electrification*



Project: Eye Care Service in Scotland - Did the Scots Get it Right?

Alex Zangelidis, Heather Dickey, D. Ikenwilo and Verity Watson.

Funded by the Chief Scientist Office (CSO) (£43,034) (07/2011 to 06/2012)



In April 2006 the Scottish Executive introduced free eye care in Scotland and commissioned private ophthalmic optician practices to perform eye examinations. This project evaluated the impact of free eye examinations on individuals' eye care utilisation in Scotland. We investigated whether, following the policy, more people in Scotland have regular eye examinations. Using the British

Recent research from CELMR (continued)

■ Reciprocal Loyalty and Union Mediation - By Georgios Panos and Ioannis Theodossiou

The study investigates the concept of loyalty in the employer-employee relationship using a stated preference approach and a dataset obtained through purpose build questionnaires. Reciprocal loyalty is defined as a gift exchange. Workers' good performance is rewarded by the employer by the provision of a job with a low likelihood of job loss. The study shows that such reciprocal employer-employee loyalty is highly rated by the workers as a desirable job attribute. Loyalty in the employer-employee relationship is differently valued by unionised and non-unionised workers. Overall the evidence suggests that unionised workers are more receptive to arrangements involving reciprocal loyalty. This may be an outcome of adaptation to internalized norms of union behaviour.

■ Real and Perceived Losses from Unemployment: A Cross Country Study - By Keith A. Bender, Rebecca Neumann, and John Skåtun

This research compares the Unemployment Rate (UR) as a measure of inefficiency with several other potential measures across 18 OECD countries. Results show that the UR is not a very good measure of relative inefficiency between countries, it overestimates the number of individuals who would get jobs if the market is clear, the Dead Weight Loss of UR are remarkably low even in high unemployment countries and the aggregate perceived monetary losses by the unemployed as a proportion of Gross Domestic are also uniformly low, although inframarginal individuals in some countries may perceive their losses to be high.

■ Job Contact Networks and the Ethnic Minorities - By Harminder Battu, Paul Seaman, and Yves Zenou

Using data from the UK Quarterly Labor Force Survey, this paper examines the job finding methods of different ethnic groups in the UK. Our empirical findings suggest that, though personal networks are a popular method of finding a job for the ethnic minorities, the foreign born and those who identify themselves as non-British, they are not necessarily the most effective either in terms of gaining employment or in terms of the level of job achieved. However, there are some important differences across ethnic groups with some groups losing out disproportionately from using personal networks.

■ Self-employment, Job Attributes and the Paradox of the Contented Female Worker - By Keith A. Bender and Kristen Roche

A large literature finds that the self-employed are more satisfied in their jobs. Interestingly, like in the wage and salary sector, *ceteris paribus*, self-employed females are found to have more satisfaction in their jobs than self-employed men, even when the gender wage differential is higher for the self-employed. This research examines the so-called 'paradox of the contented female worker' for both sectors, focusing on the importance of certain job attributes and whether workers actually experience these attributes. Properly controlling for the gap between desiring and actually obtaining these attributes 'explains' the gender differential in job satisfaction.

■ The Unintended Consequences of the Rat Race: The Detrimental Effects of Performance Pay on Health - By Keith A. Bender and Ioannis Theodossiou

Performance pay schemes have been linked to many labour market outcomes, but one unintended consequence, suggested as early as Adam Smith, is that performance pay is detrimental to health. Previous work focuses on the relationship between performance pay and injuries on the job. However, this research focuses on general health and specific illnesses, to investigate if there is a link between performance pay and health. Using data from the British Household Panel Survey, this study utilizes time failure modes to assess if being in jobs with a performance pay element increases the likelihood of health deterioration, *ceteris paribus*.

Recent research from CELMR (continued)

■ Labour Market Insecurity and Second Job-Holding in Europe - *By Alex Zangelidis*

The recent labour market trends reveal an increase of job insecurity across Europe, with more short-term jobs currently available in the labour market, and lengthier spells of joblessness. The need on behalf of individuals to seek for alternative ways of ensuring employment security and a continuous income stream becomes paramount. This paper explores whether second jobholding can be viewed as a hedging strategy against the increased income and employment uncertainty. The results, using the EU-LFS, provide supporting evidence, suggesting that both the incidence and intensity of dual job-holding increases as labour markets become more volatile and precarious jobs more prevalent.

■ The Permanent and Temporary Impact of Recessions on Mortality: The European Experience - *By Keith A. Bender, Athina Economou, and Ioannis Theodossiou*

Recent research in the economics literature shows disagreement on the relationship between unemployment and aggregate measures of mortality. This paper employs a statistical methodology to decompose the effect of unemployment into a temporary and permanent effect and estimates the relationship using aggregate data from 11 European countries for the period 1971-2001. The effect of unemployment into a permanent and temporary effect shows stark differences, generally showing that the temporary effect of an increase in unemployment is to lower mortality while the permanent effect is to increase mortality. Importantly, the permanent effect is generally much larger than the temporary effect. The results show that the previous economics findings of higher unemployment leading to lower mortality were temporary effects of unemployment and unemployment increases mortality in the long term. These results hold for nearly all mortality measures.

■ The Impact of Regional Migration on Regional Wage Inequality: A Semiparametric Approach - *By Heather Dickey*

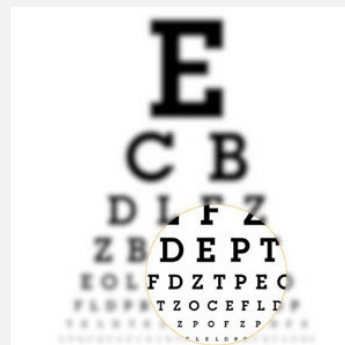
According to economic theory, regional migration is a primary mechanism through which regional wage convergence is predicted to occur. However, this does not necessarily imply that regional migration has an equalising effect on regional inequality. Despite considerable literatures on regional migration and regional wage inequality, little attention has focused on the relationship between the two. This paper investigates how regional migration affects individual region's wage distributions. It adopts a semiparametric procedure to examine how the regional wage distributions for six broad regions of Great Britain have changed as a result of regional migration using BHPS data for 1991 to 2007.

■ Piece Rates and Workplace Injury: Does Survey Evidence Support Adam Smith? - *By Keith A. Bender, Colin Green, and John S. Heywood*

While piece rates are routinely associated with higher productivity and wages, they can also generate unanticipated effects. Using cross-country European data, we provide among the first general survey evidence of a strong link between piece rates and workplace injury. Despite controls for workplace hazards, job characteristics and worker effort, piece rates workers suffer a 5 percentage point greater likelihood of injury. This remains despite attempts to control for endogeneity and heterogeneity. As piece rate wage premium estimates rarely control for injury likelihood, this raises the spectre that part of that premium reflects a compensating wage differential for risk of injury.

Eye Care in Scotland (continued)

Household Panel Survey (BHPS) and business records from a private ophthalmic company in Scotland, we compared utilisation of eye care services in Scotland to the rest of the UK before and after the policy introduction in Scotland, and also compared utilisation across a range of socio-economic groups within Scotland (gender, education, health status, income and age). The free eye care policy in Scotland succeeded in increasing the overall number of eye examinations and the number of eye conditions managed by the optometrists in the community, releasing some of the pressure at the Eye departments and GPs. However there are socioeconomic differences in the eye health care utilisation that warrant further attention.



Research in Performance-Related Pay Conference

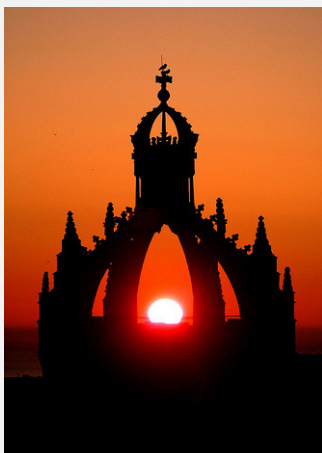
We are pleased to announce details of our upcoming conference on performance pay to be held at the University of Aberdeen, Scotland, on 3-4 June 2013, sponsored by the Scottish Institute on Research in Economics (SIRE), the University of Aberdeen Business School and the University of Aberdeen Centre on European Labour Market Research.

[New Research in Performance-Related Pay Conference 3-4 June 2013](#)

Was Adam Smith Right After All?

Yes – it appears he was! Smith in his seminal book, *Wealth of Nations* observed that, 'Workmen ... when they are liberally paid by the piece, are very apt to overwork themselves, and to ruin their health and constitution in a few years.' While there has been a couple case studies of particular occupations, there have been no research to see whether there is a link between performance pay and health.

Two recent papers by CELMR members, Prof Keith Bender and Prof Ioannis Theodossiou, show that, indeed, there is a link between performance pay and ill health. In a paper published in the *Journal of Population Economics* in 2012, Bender, Green and Heywood use a large dataset of manual workers in Europe to uncover a strong, positive correlation between performance pay and injuries on the job. In a new working paper, Bender and Theodossiou use British data to show that the longer time spent in performance pay contracts leads to worse overall health, as well as heart and stomach illnesses and worse mental health.



Recent research from CELMR (continued)

■ The Economics of Health and Safety at Work: An Interdisciplinary Review of the Theory and Policy - By Kostas Poulidakas and Ioannis Theodossiou

This study engages in an interdisciplinary survey of the current state of knowledge related to the theory, determinants and consequences of occupational safety and health (OSH). It first describes the fundamental theoretical construct of compensating wage differentials, which is used by economists to understand the optimal provision of OSH in a perfectly competitive labour market. The plethora of incentives faced by workers and firms in job and insurance markets that determine the ultimate level of OSH are discussed in detail. The extensive empirical evidence from the hedonic wage and stated choice approaches used to assess the value of OSH is reviewed. The causes of inefficiency and inequity in the market for OSH, such as externalities, moral hazard in compensation insurance, systematic biases in individual risk perception/well-being and labour market segregation are subsequently examined. The implications of government intervention and regulation for tackling the aforementioned inefficiencies in OSH are then considered. Finally, the survey identifies areas of future research interests and suggests indicators and priorities for policy initiatives that can improve the health and safety of workers in modern job markets.

■ Helping others or helping oneself? International subsidies and the provision of global public goods - By Ramses Abul Naga and Philip Jones

This paper explores the welfare effects of international subsidies designed to expedite the production of global public goods. It distinguishes between the impact subsidies exert on behaviour and the impact subsidies exert on welfare. Subsidies that encourage recipients to contribute to the provision of global public goods can be designed to maximize the welfare of donor countries. While these optimal subsidies achieve a Pareto efficient allocation of resources, all the efficiency gains are appropriated by donor countries. If equity is irrelevant, optimal subsidies are higher for high-income recipients than for low-income recipients.

■ Personnel Decisions, Wage Profiles and Investment in Firms - By John D.F. Skåtun and Ioannis Theodossiou

An investment model where firms mitigate adverse hold-up effects using hiring and personnel policies is theoretically investigated and empirically scrutinized. While no evidence for the prediction of differing worker characteristics, other than gender, across firms is found, demand (firm) side factors are evident in the hiring process. Evidence on other personnel policies is consistent with theory, which predicts firms with high-investment expenditures resist unions, utilize more temporary and shift-time workers and conduct more multitask training. Wages in high-investment firms are higher, more sensitive to unemployment and experience variables that exhibit greater effects than in low-investment firms.

■ Incentives, learning, task difficulty, and the Peter Principle: Interpreting individual output changes in an Organisational Hierarchy - By Tim Barmby, Barbara Eberth and Ada Ma

This paper examines the way in which individuals' output changes as they are promoted within an hierarchical organisation. We suggest a decomposition of the change in output which allows us to see that changes in tournament incentive may in fact disguise part of the observed fall in output. We discuss the role which may be played by learning on the part of line managers, and changes due to the change in grade which a promotion entails. We are unable to distinguish whether the effect of grade itself is due to increased task difficulty or other changes which a higher grade entails such as increased span of control but we show how to work out the contribution which can be attributed directly to the Peter Principle.

A selection of articles from CELMR members since 2010

- Ramses Abul Naga** & P. Jones. (2012). 'Better to Give Than Receive? Altruistic Provision of a Global Public Good'. *Economics Letters*, 115(3): 480-83.
- Ramses Abul Naga**. (2010). 'Statistical Inference for Multidimensional Inequality Indices'. *Economics Letters*, 107(1): 49-51.
- Tim Barmby**, B. Eberth & A.H.Y Ma. (2012). 'Incentives, Learning, Task Difficulty, and the Peter Principle: Interpreting Individual Output Changes in an Organisational Hierarchy'. *Labour Economics*, 19(1): 76-81.
- Tim Barmby**, B. Eberth & A. Bryson. (2012). 'Human Capital, Matching and Job Satisfaction'. *Economics Letters*, 117(3): 548-51.
- Tim Barmby** & J. Treble, J. (2011). *Worker Absenteeism and Sick Pay*. Cambridge University Press.
- Harminder Battu**, Y. Zenou & P. Seaman. (2011). 'Job Contact Networks and Ethnic Minorities'. *Labour Economics*, 18(1): 48-56.
- Harminder Battu** & Y. Zenou. (2010). 'Oppositional Identities and Employment for Ethnic Minorities: evidence from England'. *Economic Journal*, 120(542): F52-F71.
- Keith A. Bender**, R.M. Neumann & **John D.F. Skåtun**. (2013). 'Real and Perceived Losses from Unemployment: A Cross-Country Study'. *Applied Economics*, 45(25): 3625-36.
- Keith A. Bender** & K. Roche. (2013). 'Educational Mismatch and Self-Employment'. *Economics of Education Review*, 34: 85-95.
- Keith A. Bender**, C.P. Green & J.S. Heywood. (2012). 'Piece Rates and Workplace Injury: Does Survey Evidence Support Adam Smith?' *Journal of Population Economics*, 25(2): 569-90.
- Keith A. Bender**. (2012). 'An Analysis of Well-being in Retirement: The Role of Pensions, Health, and 'Voluntariness' of Retirement'. *Journal of Socio-Economics*, 41(4): 424-33.
- Keith A. Bender** & H. Mridha. (2011). 'The Effect of Local Area Unemployment on Compensating Wage Differentials for Injury Risk'. *Southern Economic Journal*, 78(2): 287-307.
- Keith A. Bender** & J.S. Heywood. (2011). 'Educational Mismatch and the Careers of Scientists'. *Education Economics*, 19(3): 253-74.
- Heather Dickey**, D. Ikenwilo, P. Norwood, V. Watson & **Alexandros Zangelidis**. (2012). 'Utilisation of Eye-care Services: The Effect of Scotland's Free Eye Examination Policy'. *Health Policy*, 108(2-3): 286-93.
- Heather Dickey**, V. Watson & **Alexandros Zangelidis**. (2011). 'Is It All about Money? An Examination of the Motives behind Moonlighting'. *Applied Economics*, 43(26): 3767-74.
- Heather Dickey**, V. Watson & **Alexandros Zangelidis**. (2011). 'Job Satisfaction and Quit Intentions of Offshore Workers in the UK North Sea Oil and Gas Industry'. *Scottish Journal of Political Economy*, 58(5): 607-33.
- C.B. Pita, **Heather Dickey**, G.J. Pierce, E. Mente & **Ioannis Theodossiou**. (2010). 'Willingness for Mobility amongst European Fishermen'. *Journal of Rural Studies*, 26(3): 308-19.
- W. David McCausland** & **Ioannis Theodossiou** (2012). 'Is Manufacturing Still the Engine of Growth?' *Journal of Post Keynesian Economics*, 35(1): 79-92.
- Euan C. Phimister** & D.J. Roberts. (2012). 'The Role of Ownership in Determining the Rural Economic Benefits of On-shore Wind Farms'. *Journal of Agricultural Economics*, 63(2): 331-60.
- John D.F. Skåtun**. (2010). 'The Death Rate of Smokers and its External Effects'. *Journal of Economics Studies*, 37(4): 455-70.
- John D.F. Skåtun** & **Ioannis Theodossiou**. (2011). 'Personnel Decisions, Wage Profiles and Investment in Firms'. *British Journal of Industrial Relations*, 49(4): 742-66.
- K. Pouliakas & **Ioannis Theodossiou**. (2013). 'The Economics of Health and Safety at Work: An Interdisciplinary Review of the Theory and Policy'. *Journal of Economic Surveys*, 27(1): 167-208.
- C. Pita, **Ioannis Theodossiou** & G.J. Pierce. (2013). 'The Perceptions of Scottish Inshore Fishers about Marine Protected Areas'. *Marine Policy*, 37: 254-63.
- K. Pouliakas & **Ioannis Theodossiou** (2012). 'Rewarding Carrots & Crippling Sticks: Eliciting Employee Preferences For the Optimal Incentive Mix Research Paper'. *Journal of Economic Psychology*, 33(6): 1247-65.
- Ioannis Theodossiou** & A. Economou. (2011). 'Poor and Sick: Estimating the Relationship between Household Income and Health'. *Review of Income and Wealth*, 57(3): 395-411.
- K. Pouliakas & **Ioannis Theodossiou**. (2010). 'Differences in the Job Satisfaction of High-paid and Low-paid Workers across Europe'. *International Labour Review*, 149(1): 1-29.
- I. Livanos & **Alexandros Zangelidis**. (2013). 'Unemployment, Labour Market Flexibility and Absenteeism: A Pan-European Study'. *Industrial Relations*, 52(2): 492-515.
- I. Livanos & **Alexandros Zangelidis**. (2010). 'Multiple Job-Holding Among Male Workers in Greece'. *Regional Studies*, 46(1): 119-35.

CELMR

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<http://www.abdn.ac.uk/business/research/celmr.php>

Directors: Professor Ioannis Theodossiou, Dr W David McCausland, and Dr John Skåtun. Members: see website for full listing.

The Centre for European Labour Market Research was established in January 2000 and became part of the University of Aberdeen Business School in August 2002. Research is organised into four programmes:

- Education, Skills and Labour Mobility
- Inequality in the Labour Market
- Health and Well-being and Work
- Wage Determination

The Centre has links with the Medical School through its collaboration with the Health Economics Research Unit (HERU) and the School of Biological Sciences. The Centre's activities include workshop series and the publication of its own discussion paper series. It also supports graduate student research and sponsors visiting scholars.



Dr Yu Aoki

SIRE

The Scottish Institute for Research in Economics (SIRE) is the outcome of a substantial investment in Economics Research in Scotland (approximately £21 million over 5 years) by the Scottish Funding Council and ten participating universities. It builds on the distinguished tradition of Economics in Scotland, with eminent contributions from, among others, Adam Smith and David Hume. SIRE pools key areas of strength within the Scottish Economics research base in three thematic programmes, Behaviour, Incentives and Contracts, Work and Well-being and Macroeconomics, Financial Linkages and the Regions. Aberdeen is primarily involved in the Work and Well-being Programme.

Researchers in Profile: Dr Yu Aoki

Dr Yu Aoki has been awarded the Cairncross Prize for the best paper presented by a young economist at this years' Scottish Economic Society conference.

The paper is entitled "An outcome of free labour supply: effects of volunteer work on mortality. A natural experiment using earthquake shocks in Japan" The paper uses the exogenous variation caused by the Great Hanshin-Awaji earthquake which occurred in the Midwestern part of Japan in 1995 to identify the causal effect of volunteering on mortality

After completing her PhD in Economics at the University of Warwick, she joined the University as the Joint SIRE lecturer for of the Aberdeen Business School and the Health Economics Research Unit. She is also a Research Affiliate at the Institute for the Study of Labour (IZA) in Bonn, Germany.

Her work focuses on the application of econometric analysis to issues related to health, labour and education. Dr Aoki was delighted to receive the Cairncross Prize in recognition of her outstanding work as a young economist.

The Scottish Economic Society instituted a Prize Essay Competition to express its commitment to the development of the discipline, directed at encouraging younger members of the profession. It is called the Sir Alexander Cairncross Prize, to mark the contribution which he made to the Society and to the discipline. It was first awarded in 1998.

During his long and distinctively active career Sir Alec Cairncross made distinguished contributions in several walks of life – as Economic Adviser to the Government (1961-64), Head of the Government Economic Service (1964-69), Master of St Peters College Oxford (1969-78), President of the British Association (1970-71) and writer of several books on economic policy – and by no means least at the University of Glasgow as Professor of Applied Economics (1950-61) and subsequently its Chancellor from 1972 to 1996. He also contributed signally to the development of the Scottish Economic Society. In 1954 he became the first Editor of the Society's Scottish Journal of Political Economy, a post he held until 1961. A Vice President from 1962 he became President from 1969 to 1973, and remained an Honorary Vice President thereafter.