

CELMR News

New grants awarded 2014-15

- "Health Status and Political Preferences", Santander Mobility. A. Zangelidis
- "Globalisation, Labour Markets and the Welfare State", NORFACE Welfare State Futures - Project PI, C. Montagna, Holger Görg (IFW-Kiel) and Fredrik Sjöholm (Lund University).
- "Management practices and firms' performance", Pool Engagement in European Research - PEER, Scottish Government, PI: C. Montagna
- "Management practices, firms' performance and internationalisation", Pool Engagement in European Research - PEER, Scottish Government, PI: C. Montagna.
- "Performance Pay and Stress: A Pilot Study", Scottish Economic Society, K.A. Bender, J. Allan and I. Theodossiou.
- SIRE early career engagement grant, Yu Aoki
- SIRE travel grant to attend the EALE-SOLE meeting in Canada, Yu Aoki.
- SIRE event grant for the HERU-BS joint seminar, Yu Aoki.
- Scottish Economic Society's Small Grant to attend the International Workshop on Applied Economics of Education, Yu Aoki.



PhD conference 2014

The seventh CELMR PhD Research Workshop took place on Thursday 20 November 2014 in the Sir Duncan Rice Library. 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. A record twelve PhD students presented and defended their research ideas (see over for titles). The keynote speaker and discussant Dr Alex Bryson (Head of Employment Group, NIESR) presented his recent research entitled "Is There A Taste For Racial Discrimination Among Employers?"

Professor Theodossiou, PhD Director in Economics, said "It was a great honour to welcome Dr Alex Bryson as discussant for this important event. As well as being one aspect of our formal monitoring and training of research student, the conference has enormous benefits in the training, networking and wellbeing of our PhD students. Growing the quantum and quality of PhD training is one of our strategic priorities. I am grateful to Drs John Skatun and David McCausland for their organisation of this event."



A selection of recent articles from CELMR

- Panos, GA., Pouliakas, K. & Zangelidis, A. (2014). 'Multiple Job Holding, Skill Diversification, and Mobility'. *Industrial Relations*, vol 53, no. 2, pp. 223-272.

In this article, we investigate the interrelated dynamics of dual jobholding, human capital, occupational choice, and mobility, using a panel sample (1991-2005) of UK employees from the British Household Panel Survey. The evidence suggests that individuals may be using multiple jobholding as a conduit for obtaining new skills and expertise and as a stepping-stone to new careers, also involving self-employment. Individuals doing a different secondary job than their primary occupation are more likely to switch to a new primary job in the next year, and a job that is different than their current primary employment. The results show that there are human capital spillover effects between primary and secondary employment.

- Aoki, Y., (2014) "More Schooling, Less Youth Crime? Learning from an Earthquake in Japan", IZA Discussion Paper No. 8619.

This paper aims to identify the causal effect of schooling on youth crime. To identify the causal effect, I use the policy interventions that occurred after the Kobe earthquake that hit Japan in 1995 as a natural experiment inducing exogenous variation in schooling. Based on a comparison of the arrest rates between municipalities exposed to similar degrees of earthquake damage but with and without the policy interventions, I find that a higher high school participation rate reduces juvenile arrest rates for violent crime but not for property crime. The estimates of social benefits show that it is less expensive to reach a target level of social benefits by improving schooling than by strengthening the police force.

- Cooper, D., McCausland, D., and Theodossiou, I (2015) "Is unemployment and low income harmful to health? Evidence from Britain". *Review of Social Economy*, vol 73, no. 1, pp. 34-60.

This study investigates how unemployment and income influence the length of time an individual remains in good health. This is a complex relationship since unemployment or low income deteriorates health but poor health can become a barrier to obtaining higher income or gaining re-employment. Data is from the British Household Panel Survey, using two measures of physical health: an index of mobility problems and a measure of self-assessed health. The results show that unemployment, low income and poor education adversely affect the time that people remain in good health. These results have important implications for public policy, particularly in an age of austerity when social protection mechanisms are under threat. In fact, the results suggest that to improve health and reduce health inequality more investment needs to be directed at policies that enhance labour force participation, improve education and reduce income inequality.

- Bender, KA. and Theodossiou, I. (2015) "A Reappraisal of the Unemployment-Mortality Relationship: Transitory and Permanent Effects," *Journal of Public Health Policy*, 36(1): 81-94.

Using US state-level data for 1974 to 2003, this article estimates a relationship that describes both the transitory and permanent effects of unemployment rates on mortality. It shows that the transitory effect of increasing unemployment rates is to decrease mortality. The permanent effect of increasing unemployment rates is to increase mortality. The detrimental effects of higher unemployment rates on health take a long time to become visible. The permanent scars of unemployment on population health are detrimental and overwhelming. They dwarf any opposite and transitory effects.

PhD Conference Title

- Theophilos Acheampong - *The Economic Dependencies of Infrastructure Assets in the UK Continental Shelf (UKCS)*
- Ilkhom Mamatkulov - *An analysis of the main determinants of foreign direct investment in developing countries*
- Daniel Kopasker - *On the Measurement of Economic Insecurity*
- Alya Kazikhanova - *Maximisation of the CCS-EOR project by optimized CO2 injection*
- Sujay Boddigere Sathyanarayana - *Micro, Small and Medium scale industries and their im-pact on economic growth*
- Deboshree Ghosh - *The Impact of Migration on Regional Inequality*
- Luis Enrique Loria Rebolledo - *Impact assessment of low carbon vehicle technology*
- Nkechinyere Osuagwu - *Improving Local Labour Market Performance in UK: The role of family and friendship support networks*

A selection of recent articles from CELMR – contd.

■ Bender, KA. and Theodossiou, I., (2014) "The Unintended Consequences of the Rat Race: The Detrimental Effects of Performance Pay on Health," *Oxford Economics Papers*, 66(3): 824-47

Although performance pay schemes have been linked to labour market productivity, one unintended consequence, suggested as early as Adam Smith, is that performance pay is detrimental to health. Recent research has shown that there is a positive relationship between performance pay and injuries on the job. This paper focuses on the consequences of performance pay on health. It investigates if there is a link between performance pay and self-reported general health or specific illnesses. Using data from the British Household Panel Survey, this study utilizes survival analysis to assess if being in jobs with a performance pay element increases the likelihood of health deterioration, *ceteris paribus*.

■ Abul Naga, R.H. and Stapenhurst, C. (2015) 'Estimation of Inequality Indices of the Cumulative Distribution Function', *Economics Letters*, vol. 130, pp. 109-112.

Inequality indices for self-assessed health and life satisfaction are typically constructed as functions of the cumulative distribution function. We present a unified methodology for the estimation of the resulting inequality indices. We also obtain explicit standard error formulas in the context of two popular families of inequality indices that have emerged from this literature.

■ Bender, KA. (2014) "Pensions and Financing Retirement," *Encyclopedia of Elder Care*, 3rd edition, ed by Capezuti, L., Malone, M., Katz, P. and Mezey, M., Springer Publishing, pp. 557-9.

This Encyclopaedia entry is a brief and nontechnical summary of the state of pensions in the US, focusing on their relative role in financing retirement. It highlights the need for a more proactive approach for saving for retirement as public pension schemes are unlikely to adequately fund retirement.

■ Dickey, H. (2014). 'The Impact of Migration on Regional Wage Inequality: A Semiparametric Approach', *Journal of Regional Science*, Vol 54, Issue 5 (November), pp. 893-915.

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 equalizing 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 one of the primary mechanisms through which migration affects individual region's wage distributions. It adopts a semiparametric procedure to examine how the regional wage distributions in Great Britain have changed as a result of migration using British Household Panel Survey data for 1991–2007.

■ Summerfield, F., Inwood, K. and Minns, C. (2014) "Reverse assimilation? Immigrants in the Canadian labour market during the Great Depression", working paper

The paper uses Canadian Census data from 1911 to 1931 to trace the labour market assimilation of immigrants up to the onset of the Great Depression. We find that substantial earnings convergence between 1911 and 1921 was reversed between 1921 and 1931, with immigrants from Continental Europe experiencing a sharp decline in earnings relative to the native-born. Both occupation choice and weeks at work are shown to be important contributors to earnings differences. The effect of Depression labour market conditions were particularly pronounced among older immigrants with long tenures in Canada.

- Avanti Nisha Pinto - *The Impact of Regional Environmental Agreements on International Trade and Environmental Quality*
- Pietropaolo Vanin - *Skill Mismatches and Competitiveness: Workers, Firms and Industries*
- Eguolo May Vanni - *Financial Liberalisation and Economic Growth: Evidence from Sub-Saharan Africa*
- Despina Yiakoumi - *The impact of design on market outcomes in the new energy markets.*



Keith Bender

Keith A. Bender recently received press interest on his work on living wages: [‘The living wage may cut poverty, but not by very much,’](#) *The Conversation*, 7 Nov 2014

External Links

- **H. Dickey:** Joint interdisciplinary research with Professor Stephen Drinkwater (University of Roehampton) and Dr Sergei Shubin (University of Swansea), both involved with the Centre for Migration Policy Research
- **A Zangelidis:** The financial support from Santander Mobility for research visit and collaboration with Dr D. Georgarakos, Goethe University of Frankfurt, Department of Finance (recently appointed to Bundesbank, Germany) and Dr D. Christelis (CSEF, Italy) on a new research project on health and political preferences. In addition, joint research with Professor J. Sessions (University of Bath, UK).
- **Y Aoki:** Significant engagement with the ONS, on the project "The socio-economic status and integration of immigrants in the UK: The role of language skills and education, Collaboration with Lualhati Santiago, analyst in the Public Policy Division in the ONS.

Public Engagement 2014-15

- **H. Dickey** Royal Economic Society Conference in Manchester. Title of paper: 'Doctor my eyes: A natural experiment on the demand for eye care services'.
- **C. Montagna** Department Seminar, University of Sheffield, November: "Selection, Trade, and Employment: The Strategic Use of Subsidies".
- **C. Montagna** Invited talk, Centre for Firms in the Global Economy, University of Loughborough, November: "Selection, Trade, and Employment: The Strategic Use of Subsidies".
- **C. Montagna** 10th Danish International Economics Workshop, Aarhus, June: "Job Creation, Negative Shocks and Selection"
- **K.A. Bender** 'Educational Mismatch and the Earnings Distribution' at the New Directions in Human Capital Theory Workshop at the University of Birmingham.
- **K.A. Bender and I. Theodossiou** Health at Work Workshop, Université Paris-Dauphine, France, "The Health Consequences of Flexible Employment: The Unintended Consequences of Flexicurity"
- **D. McCausland and I. Theodossiou** Scottish Economic Society, Perth and Annual Conference of History of Economic Thought, Volos, Greece, "The Consequences of Fiscal Stimulus on Public Debt: A Historical Perspective",
- **F. Summerfield** "Government Transfers, Work and Wellbeing: Evidence from the Russian Old-Age Pension", Canadian Economics Association, Toronto (with the support of the Principal's Excellence Fund)
- **F. Summerfield** and K. Inwood and C. Minns, Evidence from estimates of early 20th century immigrant labour market assimilation", Canadian Economics Association, Toronto (with the support of the Principal's Excellence Fund).
- **F. Summerfield** "Labor Market Conditions, Skill Requirements and Educational Mismatch", CELMR / SIRE workshop New Research in the Economics of Educational and Skills Mismatch, Aberdeen, and Scottish Economics Society annual conference in Perth.
- **R. Abul Naga** and T. Yalcin 'Median Independent Inequality Orderings', Louis Andre Gerard - Varet Conference, Lausanne, Aix-en-Provence, France.
- **Y. Aoki** Essen Health Conference "Health. Skills. Education."
- **Y. Aoki** "Workshop on Applied Economics of Education" at Catanzaro Italy.
- **Y. Aoki** Heriot-Watt University seminar; The CPB Netherlands Bureau for Economic Policy Analysis (part of the Ministry of Economic Affairs)
- **Y. Aoki** EEA-ESEM at Toulouse; The European Association of Labour Economists Conference at Slovenia.

A selection of the most recent articles from CELMR members

- Is unemployment and low income harmful to health?: Evidence from Britain Cooper, D. J., **McCausland, W. D. & Theodossiou, I.**, Mar 2015 *Review of Social Economy*. 73, 1, p. 34-60
- (De)Unionisation, Trade Liberalisation and Selection **Montagna, C. & Nocco, A.** Feb 2015 *Metroeconomica*. 66, 1, p. 91-122
- The Dynamics of Energy Poverty: Evidence from Spain **Phimister, E. C.**, Vera-Toscano, E. & Roberts, D. J. Feb 2015 *Economics of Energy & Environmental Policy*. 4, 1, p. 153-166
- A reappraisal of the unemployment–mortality relationship: transitory and permanent effects **Bender, K. A. & Theodossiou, I.** Feb 2015 *Journal of Public Health Policy*. 36, 1, p. 81-94
- More Schooling, Less Youth Crime?: Learning from an Earthquake in Japan **Aoki, Y.** Nov 2014 Bonn: IZA Discussion Paper, p. 1 - 39
- The impact of migration on regional wage inequality: a semiparametric approach **Dickey, H.** Nov 2014 *Journal of Regional Science*. 54, 5, p. 893-915
- The unintended consequences of the rat race: the detrimental effects of performance pay on health **Bender, K. A. & Theodossiou, I.** Jul 2014 *Oxford Economic Papers*. 66, 3, p. 824-847 24 p.
- Income inequality and wellbeing: the plight of the poor and the curse of permanent inequality Cooper, D. J., **McCausland, W. D. & Theodossiou, I.** Dec 2013 *Journal of Economic Issues*. 47, 4, p. 939-958 20 p.
- Helping others or helping oneself?: International subsidies and the provision of global public goods **Abul Naga, R. H. & Jones, P.** Oct 2013 *Oxford Economic Papers*. 65, 4, p. 856-875 20 p.
- Employment Protection, Flexibility and Firms' Strategic Location Decisions under Uncertainty Dewit, G., Leahy, D. & **Montagna, C.** Jul 2013 *Economica*. 80, 319, p. 441–474 34 p.
- Reciprocal Loyalty and Union Mediation Panos, G. A. & **Theodossiou, I.** Jul 2013 *Industrial Relations*. 52, 3, p. 645-676 32 p.
- The temporary and permanent effects of unemployment on mortality in Europe **Bender, K. A.**, Economou, A. & **Theodossiou, I.** 1 Jun 2013 *International Labour Review*. 152, 2, p. 275-286 12 p.
- Educational mismatch and self-employment **Bender, K. A. & Roche, K.** Jun 2013 *Economics of Education Review*. 34, p. 85-95 11 p.
- Unemployment, Labour Market Flexibility and Absenteeism: A Pan-European Study Livanos, I. & **Zangelidis, A.** Apr 2013 *Industrial Relations*. 52, 2, p. 492-515 24 p.
- The Economics of Health and Safety at Work: An Interdisciplinary Review of the Theory and Policy, **K. Pouliakis & Theodossiou, I.** Feb 2013 *Journal of Economic Surveys*. 27, 1, p. 167-208 42 p.
- Unionization, international integration, and selection **Montagna, C. & Nocco, A.** Feb 2013 *Canadian Journal of Economics/Revue canadienne d'économique*. 46, 1, p. 23-45 23 p.
- The perceptions of Scottish inshore fishers about marine protected areas Pita, C., **Theodossiou, I.** & Pierce, G. J. Jan 2013 *Marine Policy*. 37, p. 254-263 10 p.
- Integration and Mobility of Eastern European Migrants in Scotland Shubin, S. & **Dickey, H. S.** 2013 *Environment and Planning A*. 45, 12, p. 2959-2979 21 p.
- Real and Perceived Losses from Unemployment: a cross-country study **Bender, K. A.**, Neumann, R. M. & **Skatun, J. D.** 2013 *Applied Economics*. 45, 25, p. 3625-3636 12 p.
- Rural Homeownership and Labour Mobility in the United States Monchuk, D. C., Kilkenny, M. & **Phimister, E. C.** 2013 *Regional Studies*. 13 p.
- Human capital, matching and job satisfaction **Barmby, T.**, Bryson, A. & Eberth, B. Dec 2012 *Economics Letters*. 117, 3, p. 548-551 4 p.

CELMR

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Directors: Professor Ioannis Theodossiou, Dr W David McCausland, and Dr John Skatun. 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.



Professor Ioannis Theodossiou
Director, CELMR

Research in Globalisation and the Labour Markets

"Compensating the Losers of Globalisation", **C. Montagna**, Z. Asatryan, S. Braun, W. Lechthaler, Holger Görg, Friedrich Heinemann, Hassan Molana, European Policy Brief No. 4, August 2014.

This Policy Brief first reviews the evidence on the link between globalisation and inequality. It then establishes practical guidelines on how the losers of globalisation could be compensated. Such compensation schemes, which help disadvantaged workers in the short run, should be coupled with institutional reforms that increase the overall long run gains from globalisation.

"Compensating the Losers of Free Trade", **C. Montagna**, Z. Asatryan, S. Braun, W. Lechthaler, M. Mileva, WWWforEurope Working Paper no 63, June 2014.

Fears of rising wage inequality and job loss loom large in current debates on free trade. Surprisingly, however, there exists little academic research on how to compensate those who lose from free trade. This policy paper reviews the existing theoretical literature on trade and compensation, and derives guidelines on how to design compensation schemes in practice. The existing theoretical literature suggests that active labour market policies, targeted to workers who lose from free trade, are a promising way of compensation. In line with this theoretical recommendation, we find that countries open to free trade also spend more on active labour market policies.

"Globalisation and the Future of the Welfare State", **C. Montagna** Y-F Chen, Holger Görg, Dennis Görlich, Hassan Molana, and Yama Temouri, IZA Policy Paper No. 81, March 2014.

This paper reconsiders the link between welfare state provision, globalisation and competitiveness empirically. We challenge the conventional wisdom that welfare states, large-scale public provision of social insurance and progressive systems of redistributive taxation are incompatible with economic globalisation. Our empirical analysis is motivated by recent theoretical work that looks at the effects of redistribution policies in open economies models that capture the interconnectedness of welfare states, production structures and international economic integration when goods and factor markets are imperfectly competitive and countries possess specific characteristics. Contrary to the conventional view, the efficiency gains stemming from increasing international openness strengthen the positive feed-back effects between redistribution policies and the exploitation of aggregate scale economies.

"Selection, Trade, and Employment: The Strategic Use of Subsidies", **C. Montagna** H. Molana, WWWforEurope Policy Paper no 21, February 2015.

We study how the interaction between economic openness and competitive selection affects the effectiveness of employment (and entry) subsidisation. We find that optimal employment subsidies are always positive even though they can have pro- or anti-competitive effects on industry selection depending on whether the economy is open or not. We also find that selection effects resulting from international competition and fiscal externalities may imply that non-cooperative policies entail under-subsidisation of employment. Whilst always having procompetitive selection effects on the industry, entry subsidies are shown to be less effective in raising employment and welfare than employment subsidies.