

Empirical Labor Market Research

Chapter 1: Introduction

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1.1 Personal Introduction

Since 05/2021: Head of the Research Department of Regional Labour Markets at IAB and
Professor of Regional Labour Economics at University of Bamberg

10/2014 – 04/2021: Assistant Professor of Empirical International and Regional Economics at
University of Würzburg

03/2008 – 09/2014: Researcher at IAB

10/2008 – 09/2011: GradAB scholarship holder at IAB

Research interests:

- What explains the (persistent) difference between local labor markets?
- How do local labor markets work?
- How do labor market and housing market interact?
- Effects of technological change on the labor market

1.2 The Institute for Employment Research (IAB)

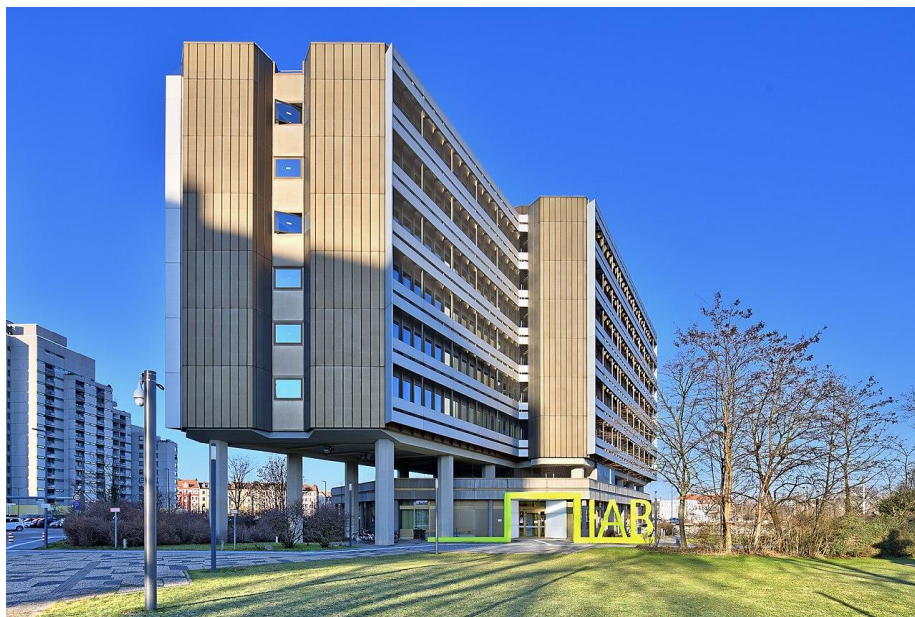


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INSTITUTE FOR EMPLOYMENT
RESEARCH

The Research Institute of the Federal Employment Agency

- The Institute for Employment Research (IAB) is the research institute of the Federal Employment Agency (Bundesagentur für Arbeit / BA).
- The remit of the IAB is to conduct research on the labour market, mandated by §§ 280 and 282 subsection 1 of Social Code Book III (SGB III) and § 55 of Social Code Book II (SGB II).
- IAB research is scientifically independent. Its researchers enjoy freedom of research in accordance with Art. 5 subsection 3 of the Basic Law for the Federal Republic of Germany.

Structure of the IAB

- 15 research units organized in 8 competence fields:
 - Structural Change and the Labour Market
 - Labour Market Policy
 - The Firms' Side of Work
 - Education and the Labour Market
 - Labour Force Participation, Poverty, and Social Policy
 - Research Data and Methods
 - Macroeconomy
 - International and Regional Labour Markets
- 10 interdisciplinary working groups
- 5 service departments
- **Joint Graduate programme with the University of Erlangen-Nuremberg (FAU)**
- **Strong ties with University of Bamberg** (S-Professors, Universitätsrat, regular cooperations)

Triad comprising data, research and policy advice

- Data
 - Preparing administrative process data
 - Collecting survey data
 - Providing data for research purposes
- Research
 - Application-oriented and multidisciplinary labour market research
 - Selected fields of basic research
- Policy advice
 - Advising the BA, especially the Executive Board and the Board of Directors, as well as the Federal Ministry of Labor and Social Affairs
 - Advising ministries, associations, trade unions, municipalities and international organizations
 - Answering enquiries from the Bundestag and the federal government, as well as from the state parliaments and governments
 - Commenting on current topics in the field of labor market policy

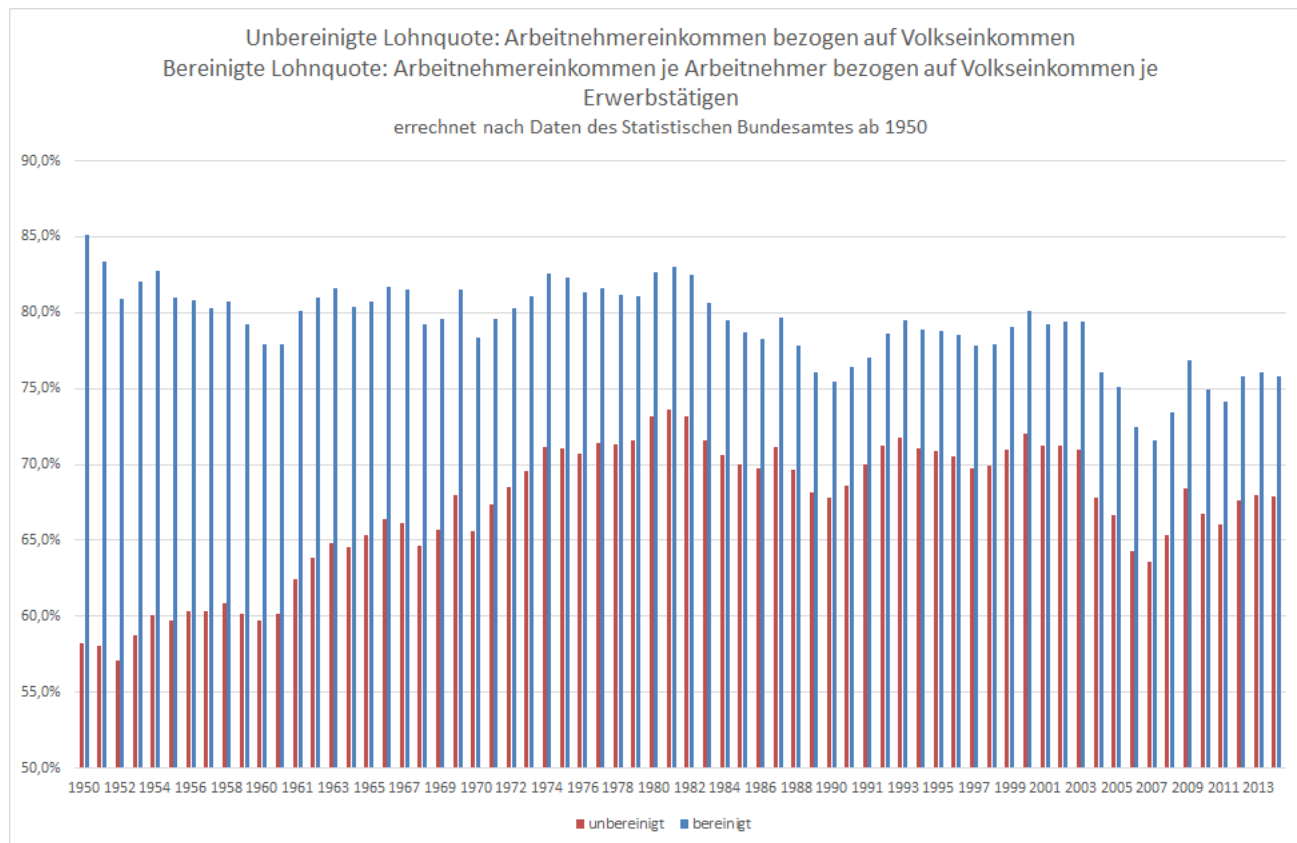
The IAB in the public eye

- Scientific policy advice
- Organization of symposiums and conferences
- Publication of the research findings in the IAB's own publication series (e.g. IAB Brief Report) and in national and international journals
- Generally available free-of-charge online, e.g. via IAB website and the IAB Info Platforms
- Online magazine: www.iab-forum.de/en/
- IAB findings on Twitter: @IAB_news



1.3 Why focus on the Labor Market?

The labor market is relevant:



- The majority of the society depends on labor as the main (and only) source of income!
- Any development that affects the labor market has implications on the daily lives and welfare of a lot of people!

Source: Lohnquote nach Daten des Statistisches Bundesamts. Tabelle 18 Verteilung des Volkseinkommens ab 1950, 21 Bevölkerung und Erwerbstätigkeit ab 1950, 1.8 Arbeitnehmerentgelt, Löhne und Gehälter (Inländer) ab 1970, 1.12 Bevölkerung und Erwerbsbeteiligung ab 1970

“Pure” supply/demand considerations are not very helpful

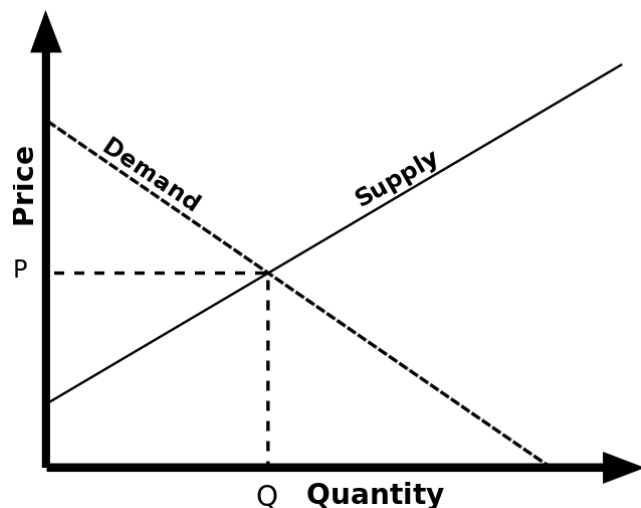


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- Monopsony power by employers
- Inelastic supply by employees
- Labor is not a homogeneous good
- Frictions / Mismatch

The labor market receives a lot of attention from policymakers and interest groups: “institutions”

- Employer’s associations and trade unions influence wage setting
- Governments provide training and services to reduce frictions
- Governments provide unemployment insurance that reduces workers’ uncertainty w.r.t incomes but affect job search
- Job protection legislation and specialized labor courts

1.4 Empirical Labor Market Research

- Among economic disciplines, labor economics is one of the most active and advanced
 - Just count the share of professors that do research on labor!
 - Many important practices in economic research come from labor economics.
In particular: treatment effects in empirical analysis and concept of causality!

- Availability and quality of data particularly good in labor economics
 - Specialized survey data (GSOEP, NEPS, ...)
 - **Administrative data: social security authorities usually collect comprehensive data and are interested in scientific evidence.**
 - Big data: probably weak spot. Other fields will catch up.

1.5 This course

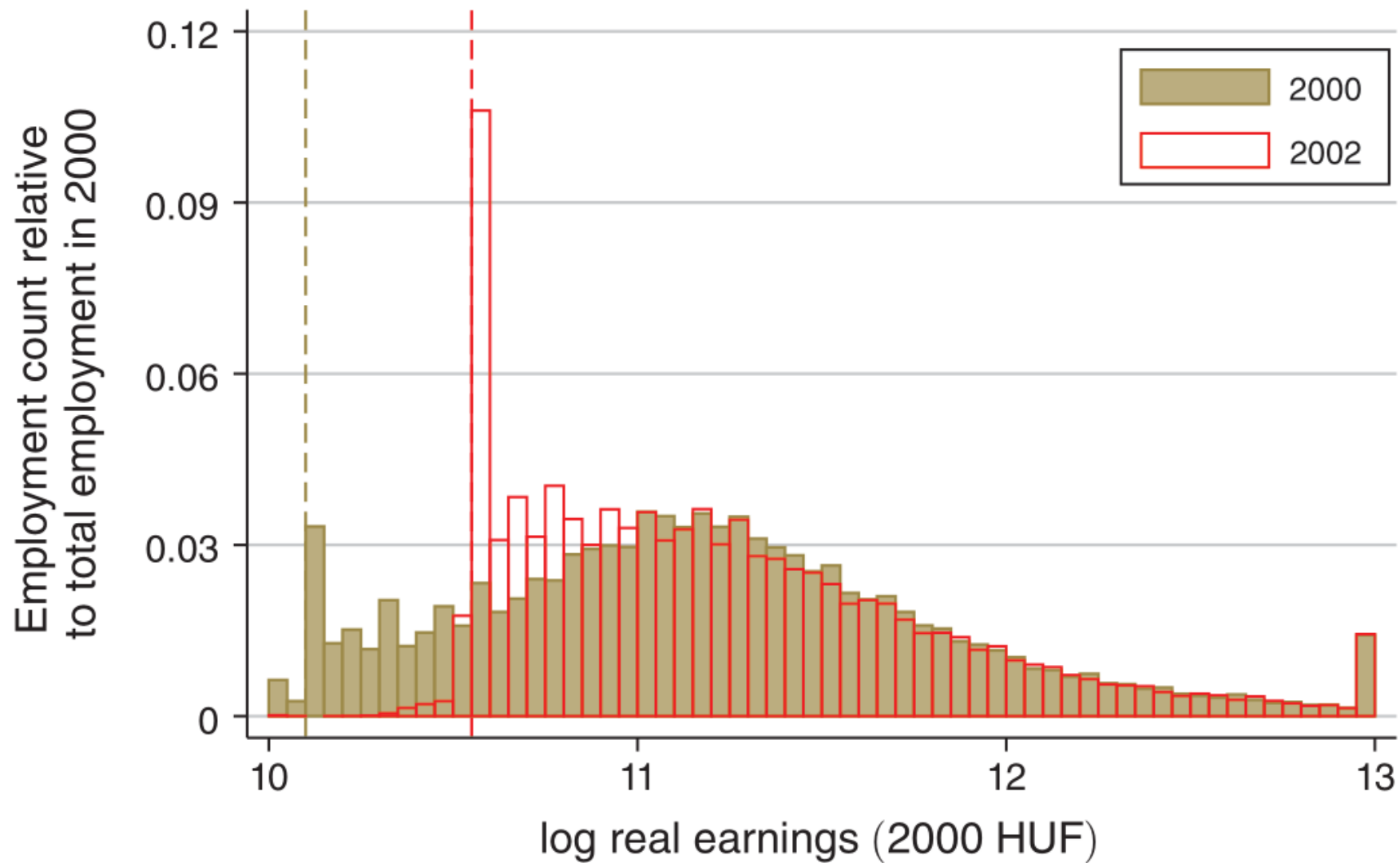
- We will discuss a handful of very recent topics in research in labor economics...
- ... and learn how to analyze them empirically.
- Each meeting has two parts:
 1. Lecture on motivation, theoretical background and empirical literature
 2. Hands-on empirical analysis, guided by prominent empirical study
- **Assessment: 1 Hour written Exam**

Why no seminar thesis? – Excessive use of AI in previous year!

Example Questions:

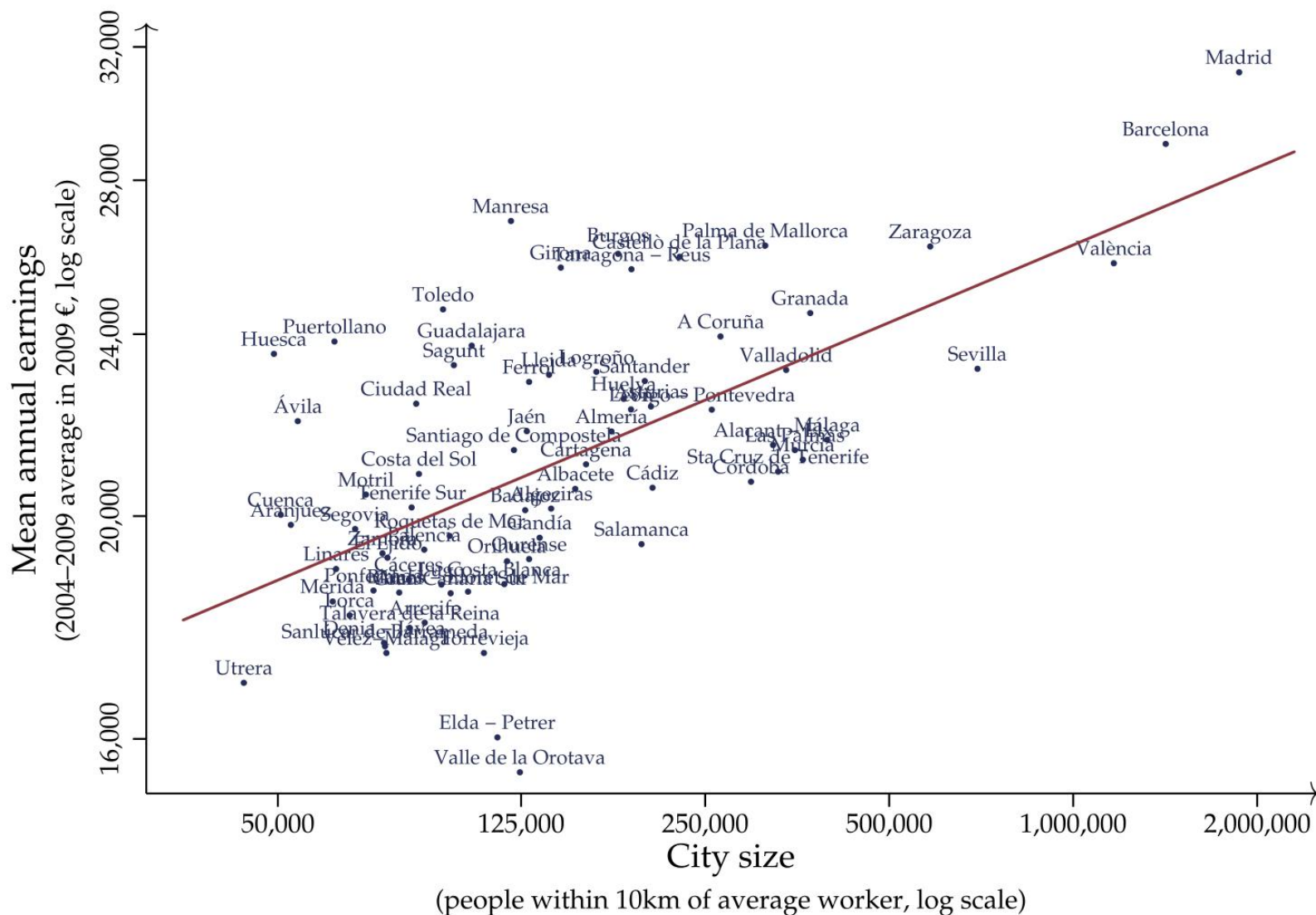
- You want to study the effect of the US Import Tolls imposed by the Trump administration on the German labor market. You have data on trade flows between the US and Germany and the US and other high-income countries at the year-by-industry level and data on employment (headcounts and shares workers by gender and education) the level of year-by-industry-by-county in Germany. Please sketch an appropriate research design. Explain why a naïve OLS estimation is likely to lead to biased results and how your strategy mitigates this problem.
- Here is a table of a paper that studies the effect of increasing import competition from China on the French labor market. Please interpret the main coefficients and explain how and why they differ between the columns.

Do minimum wage regulations reduce labor demand?



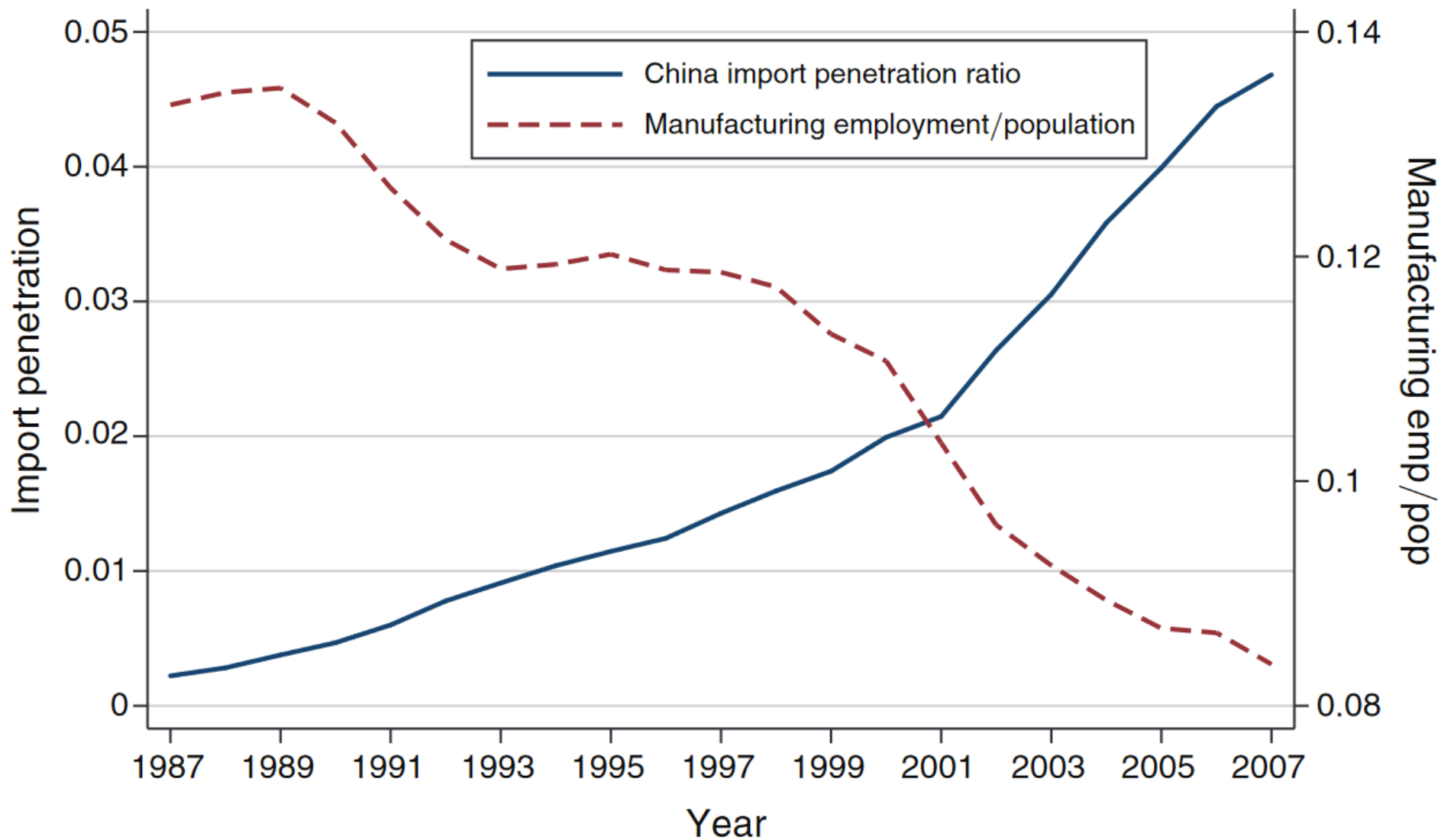
Source: Harasztosi/Lindner (2019)

Are workers and firms more productive if they are located in bigger cities?



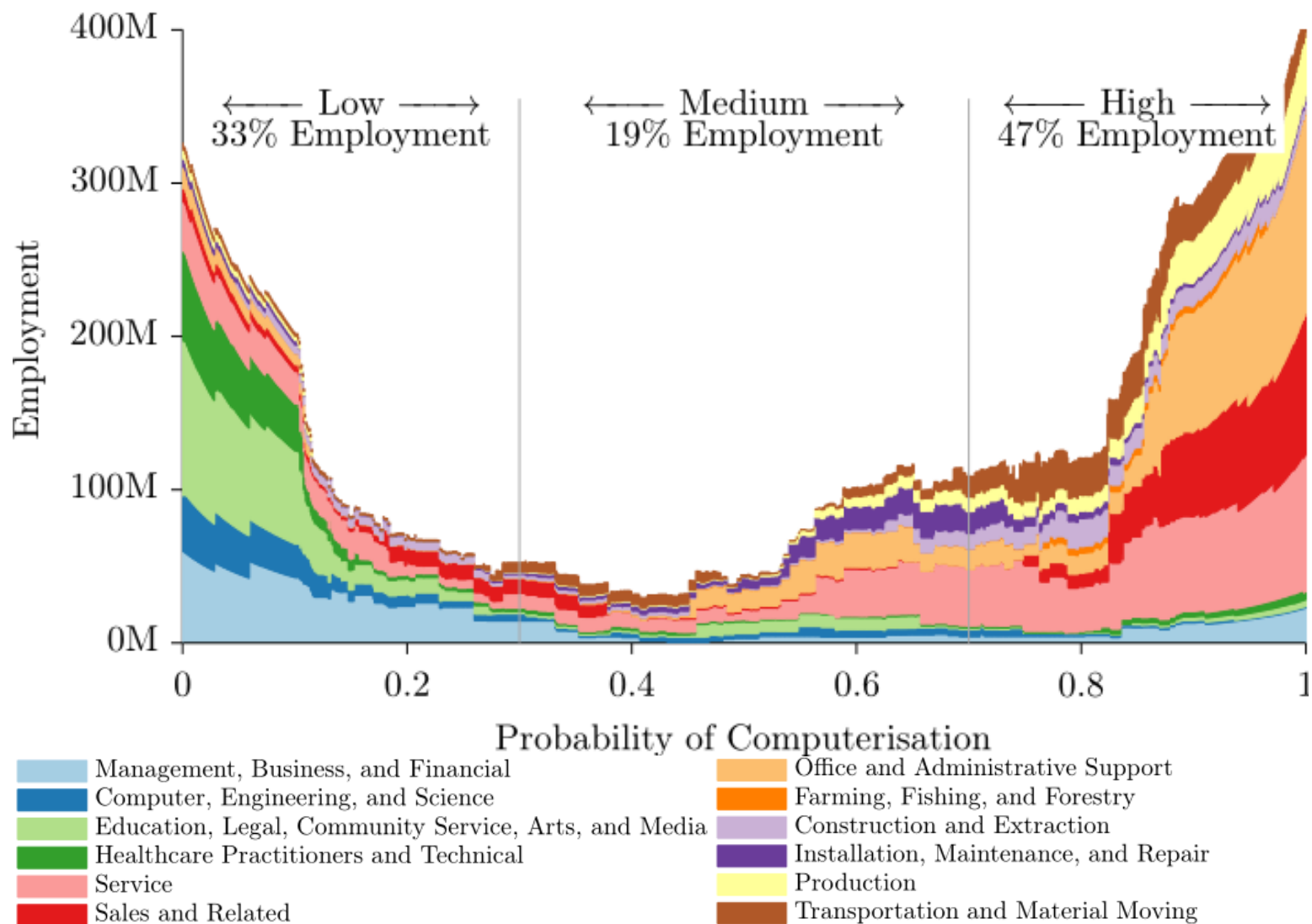
Source: de la Roca/Puga (2017)

What are the labor market effects of globalization?



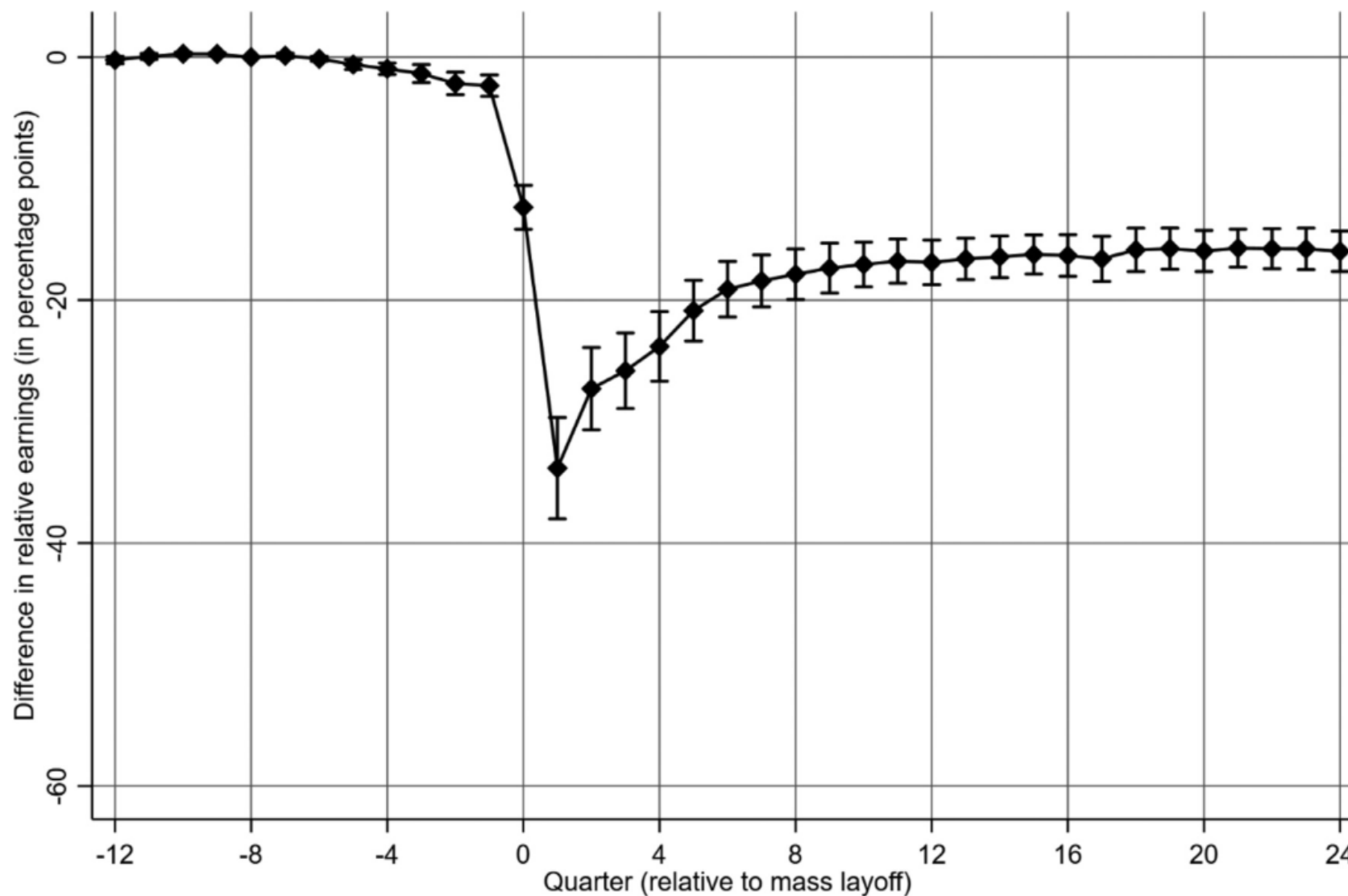
Source: Autor/Dorn/Hanson (2013)

Does technological change destroy jobs?



Source: Frey/Osborne (2013)

What are the long term consequences of job loss?



Source: Blien/Dauth/Roth (2021)

Literature:

Autor, D., Dorn, D., and Hanson, G. (2013): *The China Syndrome: Local Labor Market Effects of Import Competition in the United States*, *American Economic Review* 103(6): 2121–2168

Blien, U., Dauth, W., and Roth, D. (2021): *Occupational routine intensity and the costs of job loss: evidence from mass layoffs*, *Labour Economics* 68: 101953

De la Roca, J. and Puga, D. (2017): *Learning by Working in Big Cities*, *Review of Economic Studies* 84(1): 106–142

Frey, C.; Osborne, M. (2017): *The future of employment: How susceptible are jobs to computerisation?*, *Technological Forecasting and Social Change* 114: 254–280.

Harasztsi, P. and Lindner, A. (2019): *Who Pays for the Minimum Wage?*, *American Economic Review* 109(8): 2693–2727

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