

## **CSWEP Sessions at the Eastern Economics Association Meetings, February 27-March 1, 2009**

### **Financial and Labor Market Cyclicalities**

**Chair:** Linda Bell (Haverford College)

**Discussants:** Randy Filer (Hunter College), Andra Ghent (Baruch College), Perry Mehrling (Columbia University), Meta Brown (Federal Reserve Bank of New York)

#### *Turbulent Firms, Turbulent Wages*

**Erica Groshen** (Federal Reserve Bank of New York)

This paper documents the recent rise in transitory fluctuations in compensation and investigates its linkage to the concurrent rise in volatility of firm performance. The authors find strong support for the hypothesis that rising high-frequency turbulence in the sales of large publicly-traded U.S. firms over the past three decades has raised their workers' high frequency wage volatility. The evidence comes from two data sets: the Panel Study of Income Dynamics (detailed longitudinal information on workers), and COMPUSTAT (detailed firm information, plus average wage and employment levels).

#### *The Cyclical Price of Labor When Wages are Smoothed*

**Marianna Kudlyak** (Federal Reserve Bank of Richmond)

This paper examines the relationship between the price of labor and employment. The author finds smoothed wages within the employment relationship and a wedge between the cyclicalities of wages of newly hired workers and job stayers generates substantial procyclicality of the price of labor. In particular, a one percentage point increase in unemployment generates more than 4.5% decrease in the price of labor. This cyclicity is three times higher than the cyclicity of individual wages and also noticeably higher than the cyclicity of the wages of newly hired workers.

#### *Disclosure and Market Discipline in Banking*

**Beverly Hirtle** (Federal Reserve Bank of New York)

This paper examines the relationship between the amount of information disclosed by bank holding companies (BHCs) and their subsequent risk profile and performance. Using data from the annual reports of BHCs with large trading operations, we construct an index of public disclosure of information about forward-looking estimates of market risk exposure in their trading and market-making activities. The paper then examines the relationship between this index and subsequent risk and return in the BHCs' trading activities and for the firm overall, as proxied by equity market returns. The key findings are that more disclosure is associated with lower risk, especially idiosyncratic risk, and in turn with higher risk-adjusted returns.

#### *Fair-wage and Effort-Related Capabilities in Maquiladora Industry*

**Aurelie Charles** (Leeds University Business School)

This paper argues that social perception can explain wage discrimination. Given that monitoring is difficult, wages depend to some extent on social estimates of the value produced by different types of workers. The wage received by a group of workers sharing a personal attribute such as gender, race or age can thus be influenced by social perceptions that serve as a basis for wage discrimination. This empirical analysis shows that the cost of maquiladora workers depends on a social perception of fairness on effort-related capabilities of female workers versus male workers. Using a VECM with productivity of workers, real-wage for female and male workers, the results support the internal reference approach for female workers only.

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### **Applied Topics in Health and Experimental Labor Economics**

**Chair:** Erica Groshen (Federal Reserve Bank of New York)

**Discussants:** Basit Zafar (Federal Reserve Bank of New York), Sandy Korenman (Baruch College), Linda Bell (Haverford College)

#### *Differences in Preferences by Gender*

**Anne Preston**, Professor (Haverford College )

This paper incorporates compassion into social preferences and tracks individuals choices over ten allocation decisions, categorizing participants behavior more precisely than previous work. We provide important evidence relevant to the on-going debate as to whether social preferences are better characterized as inequity aversion or social surplus maximization. The authors find significant heterogeneity of preferences with women significantly more likely than men to be inequity averters and less likely to be social surplus maximizers .Men are more responsive than women to the price of giving because they are more often social surplus maximizers who react more to costs while women are more often inequity averters who are less sensitive to the price of giving.

#### *Long-term Effects of Health Shocks in Childhood*

**Janet Currie** (National Bureau of Economic Research and Columbia University )

This paper focuses on how injuries to child health are related to child outcomes using a data set based on public health insurance records for 50,000 children born between 1979 and 1987 in the Canadian province of Manitoba. These children are followed until 2006, and their records are linked to provincial registries with outcomes data. The paper compares siblings born an average of 3 years apart. The authors find that conditional on health at birth, health problems in early childhood are significant predictors of young adult outcomes.

#### *State Policies and Variation in Child Immunization Rates*

**Lenisa Vangjel** (Michigan State University)

This paper examines the effect of state mandates for child immunization on immunization outcomes. Currently there are 33 states with such mandates. In this paper, the author examines the impact of the introduction of mandates on private insurers and how this has affected immunization rates in mandated states. The author finds that the mandate has increased the immunization rate of the 431 series by 1.5 percentage points, with the effect largest for children with privately provided insurance