

Economics Department Newsletter

January 21, 2013

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Seminars and events

1. Economics Job Candidate Seminar -- Susan Godlonton, University of Michigan, "Employment Risk and Performance."

At **4:00PM Monday January 21st, in Griffin 6**, economics job candidate Susan Godlonton of the University of Michigan will present her paper "Employment Risk and Performance." From the abstract: "This paper examines the relationship between employment risk and job seeker performance. To induce exogenous variation in employment risk, I randomize outside options for job seekers undergoing a real recruitment process. I do this by assigning job seekers a 0, 1, 5, 50, 75 or 100 percent chance of real alternative employment of the same duration and wage as the jobs for which they are applying. I find that job seeker performance is highest and effort is lowest among those assigned the lowest employment risk (a guaranteed alternative job), and performance is lowest and effort highest among those facing the highest employment risk (those without any job guarantee). Moreover, I find a non-linear relationship between employment risk and performance. My findings are consistent with a framework that ties together insights from economics and psychology; performance is an increasing function of effort and an inverse u-shaped function of stress. The results are not driven by gift exchange, stereotype threat, or the nutritional efficiency wage hypothesis. These performance improvements have significant welfare implications. In this study, job seekers assigned a high probability of receiving an outside option were twice as likely to

be hired in the standard job recruitment process compared to those assigned a low probability of receiving an outside option. More broadly, these results suggest that stress-induced performance reductions are a potential mechanism through which exposure to high employment risk can perpetuate poverty and unemployment.”

2. Economics Job Candidate Seminar -- S. Anukriti, Columbia University, “The Fertility-Sex Ratio Trade-off: Unintended Consequences of Financial Incentives.”

At **4:00PM Thursday January 24th in Griffin 6**, economics job candidate S. Anukriti of Columbia University will present her paper “The Fertility-Sex Ratio Trade-off: Unintended Consequences of Financial Incentives.” From the abstract: “Lower fertility can translate into a more male-biased sex ratio if son preference is persistent and sex-selection technology is easily accessible. This paper investigates whether financial incentives can overcome this trade-off in the context of an Indian scheme, Devirupak, that seeks to promote a one-child norm and reduce the sex ratio. First, I construct a model where the effects of incentives are determined by the strength of son preference, the cost of children, and the cost of sex-selection, relative to the size of incentives. Next, I create a woman-year panel dataset from retrospective birth histories and use variation in the composition of pre-existing children as well as the state and the year of implementation of the scheme to estimate its causal effect. Devirupak successfully lowers the number of children by 0.9 percent, but mainly through a 1.9 percent decrease in the number of daughters. Faced with a choice between a son and a daughter, couples choose a son despite lower relative benefits, and thus the sex ratio unintentionally increases. A subsidy worth 10 months of average household consumption expenditure is insufficient to induce parents to give up sons entirely and have only one daughter. Instead, Devirupak increases the proportion of one-boy couples by 5 percent. Only the most financially disadvantaged couples exhibit an increase in the one-girl outcome.”

Opportunities for Graduate Study

3. Berkeley Master of Financial Engineering Program

The Berkeley Master of Financial Engineering program invites you to learn about career paths in finance for students with quantitative backgrounds. They will hold information sessions in Washington, DC on Tuesday, February 5 and in New York on Wednesday, February 6, and they also hold biweekly online information sessions for those who cannot attend in person. For more information and to register for an information session, go to:

<http://mfe.berkeley.edu/>

About the newsletter

4. How to get items into the newsletter and how to unsubscribe

Please contact [Jon Bakija](#) with any news, events, or other information that you would like to send around to Economics and Political Economy faculty and majors, as well as

anyone who has manifested an interest in the field by taking a class in either department this semester. If you would prefer not to receive the newsletter, please contact [Helen McShane](#) to unsubscribe.