

CELMR News

Performance Pay Conference

CELMR, along with financial support from the Scottish Institute for Research in Economics, hosted a two day conference on performance pay in June 2013. Bringing together ten papers, including keynote addresses by Jed DeVaro (Cal State-East Bay) and David Marsden (LSE), this conference highlighted some of the newest and most innovative research on performance pay in economics. A Policy Forum, with representatives of the Scottish Government and Aberdeen City Council, was also held, discussing the challenges of implementing performance pay in the public sector.

PhD conference success

The sixth CELMR PhD Research Workshop took place on Friday 29 November 2013 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 ten PhD students presented and defended their research ideas (see right for titles). The keynote speaker and discussant Professor Francis Green (IoE, University of London) presented his latest research entitled "Austerity Blues at Work".

Professor Theodossiou, PhD Director in Economics, said "It was a great honour to welcome Professor Francis Green 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."



PhD conference titles

- Acheampong, Theophilos - *Offshore accidents and workplace safety: can we learn from the UKCS?*
- Ekelechi Ozemela - *Socioeconomic inequalities and the effects on child health*
- Ilkhom Mamatkulov - *Analysis of the main determinants of foreign direct investment - application to CIS countries*
- Ourega-Zoe Ejebu - *An investigation of attitude towards credit in the UK*
- Makhbule Gulbin Erdem - *Gradual Retirement in the UK*
- Abayasekara Wannaku - *Emergence of bio fuels and the changing world oil market behaviour*
- Yakubu Abdul-Salam - *Universal access to electricity: grid versus decentralized solutions in Ghana*
- Daniel Kopasker - *Skills and security: UK trends*
- Mufeedh Choudhury - *Aboriginals in Canada's labour market*
- Jae Ho Lee - *Source independence of wealth and individual's intertemporal decision making*

Recent research from CELMR



Project: Globalisation: The End of the Welfare State?

Doubts are routinely expressed about the compatibility of generous welfare state provision with a country's successful participation in the global economy. The distortions arising from welfare state programmes are perceived as a threat to international competitiveness. Moreover, the increasing 'foot-looseness' of firms and workers is seen as challenging the financial sustainability of welfare state programmes by constraining governments' control of their tax revenues. However, both theoretical arguments and empirical evidence cast doubt on the robustness of these arguments.

In the project Welfare, Wealth, Work for Europe funded by the European Commission, Catia Montagna and colleagues from Dundee and the Kiel Institute for the World Economy have scrutinised the validity of this conventional wisdom. Theoretical work by Molana and Montagna that captures the linkages between welfare states, production structures and globalisation suggests that welfare state retrenchment may not be an inevitable consequence of globalisation: for example, in the presence of aggregate economies (e.g. resulting

■ [Join the Union and be Safe; The Effects of Unionisation on Occupational Safety and Health in the European Union](#) *By Athina Economou and Ioannis Theodossiou*

This paper investigates the effect of unionisation on fatal and non-fatal work accidents after controlling for the country GDP, using a panel sample of 10 European Union countries, for the period 1982-2006. The study takes into account the time persistence in work injuries and the endogenous nature of the work injuries – union density relationship, by using GMM regression models. After controlling for endogeneity, both fatal and non-fatal work injuries decrease as union density increases. This finding has important implications for the design of OHS and industrial relations policies.

■ [The Unintended Consequences of Flexicurity: The Health Consequences of Flexible Employment](#) - *By Keith A. Bender and Ioannis Theodossiou*

While atypical employment contracts offer flexibility in the labour market, these kinds of contracts are inherently insecure and may generate stress among affected workers. This study examines the impact of atypical forms of employment on workers' health. Using discrete time proportional hazards models methodology the study shows that, other things equal, the longer percent of time spent inflexible employment contracts increases the odds of falling into ill health for a variety of health conditions. The results are robust to controlling for the endogeneity in the relationship.

■ [Unionism, Asymmetric Relative-Wage Comparisons and Job Satisfaction](#) - *By Georgios A. Panos and Ioannis Theodossiou*

This study investigates the relationship between relative wage comparisons and job satisfaction using a novel dataset of unionised and non-unionised European employees. By distinguishing between downward and upward-looking wage comparisons, it is shown that wage comparisons to similar workers exert an asymmetric impact on the job satisfaction of union workers, a pattern consistent with inequity-aversion and conformism to peer-referencing. In contrast, non-union workers are found to be more status-seeking in their satisfaction responses. The results are robust to endogenous union membership, country disaggregations, and to controlling for generic loss aversion.

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A selection of recent articles from CELMR

■ **Unemployment, Labour Market Flexibility and Absenteeism: A Pan-European Study** - By Ilias Livanos and Alexandros Zangelidis

Using data from the EU Labour Force Survey for 28 countries this study investigates the incidence and intensity of individuals' sickness-absence behavior, and assesses the importance of labor market characteristics like unemployment and the extent of atypical contracts and second job-holding on individuals' sickness absence. The results identify that unemployment affects sickness absence through different pathways, exerting a negative effect on the probability of being absent and a positive effect on the duration of absence. In addition, the degree of second job-holding and part-time contracts in the labor market is found to be negatively related to individuals' sickness absence. *Industrial Relations: A Journal of Economy and Society*, 52:2, 2013, pp 492–515

■ **Rural Homeownership and Labour Mobility in the United States** - By Daniel C. Monchuka, Maureen Kilkenny and Euan Phimister

This research examines a wide range of determinants of retiree well-being of retirees. Using data from the 2000 Health and Retirement Study, increases in economic factors such as income lead to higher wellbeing, although relative income has a larger effect than absolute income. The strongest predictors are the voluntariness of entering retirement, pension characteristics, and health. Retirees "forced" to retire or have defined contribution pensions or bad health have significantly lower well-being. The results suggest a more nuanced approach in addressing retiree well-being than just a focus on the economic well-being of retirees. *Regional Studies* 48:2, 2014, pp. 350-362

■ **Employment Protection, Flexibility and Firms' Strategic Location Decisions under Uncertainty** - By Gerda Dewit, Dermot Leahy and Catia Montagna

This research analyses the effects of labour market rigidities on the location decisions of multinationals. As a major source of inflexibility, employment protection laws are typically perceived as undermining a country's ability to attract or retain industry. The research demonstrates that labour market inflexibility may not necessarily hinder a country's ability to attract and/or retain economic activity. If firms have market power (as is likely to be the case for most multinational firms, which are typically larger than other firms), employment protection is not only a source of inflexibility, but can also plausibly be a source of commitment. The results provide a theoretical rationale for the ambiguity that emerges from the empirical literature on the effects of employment protection on FDI and firm location. *Economica* 80:319, 2013, pp. 441–474.

■ **Unionization, international integration, and selection** - By Catia Montagna and Antonella Nocco

Across the OECD, rising wage inequality has been paralleled by falling degrees of centralization of collective bargaining. Even in countries with traditionally centralized industrial relation systems such as Germany and Italy, industry-level negotiations have increasingly given way to firm and plant-level agreements since at least the mid-1990s. This research shows that the nature of bargaining is an important channel through which trade liberalisation affects wage inequality. Decentralization of bargaining gives rise to within-firm wage inequality; by moderating rent extraction and protecting employment in activities exposed to more intense foreign competition, a union can then extract a higher total labour rent than it can under firm-level negotiations. A key implication of these results is that trade liberalization can affect within-group intra-industry wage inequality across firms (via its effects on competitive selection) and within firms (via wage discrimination across destination markets). A testable prediction of the model is that, for a given level of openness, decentralization of bargaining at the sub-firm level ought to result in exporters exhibiting higher intra-firm wage dispersion. *Canadian Journal of Economics*, 46:1, 2013, pp. 23-45.

Globalisation: The End of the Welfare State? (continued)

from vertical linkages) of scale, globalisation can complement welfare state provision in stimulating aggregate demand and result in a virtuous circle of higher social protection, efficiency and welfare. These predictions are supported by the team's recent empirical work. Using data for OECD countries for the years 1995 to 2007, they find that welfare expenditure is positively associated with a country's overall productivity if vertical linkages (resulting in aggregate economies of scale) are high.

Moreover, the study provides evidence on the choice of location by multinationals and finds that countries with high levels of social expenditure are not only attractive for foreign investors but may also act as an anchor for firms in the home country. This is because, in addition to other factors, firms' perceptions of a country's economic and social environment are important for their choice of location. In this regard, welfare expenditure can be thought of as contributing to a stable social fabric in a country.



Catia Montagna

In addition to leading the Aberdeen team in the Welfare, Wealth, Work for Europe project, Professor Montagna also leads the new MSc in Applied Economics, and coordinates the Business School's postgraduate research.

A selection of the most recent articles from CELMR members

- 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.
- Rewarding Carrots and Crippling Sticks: Eliciting Employee Preferences For the Optimal Incentive Design **Pouliakas, K. & Theodossiou, I.** Dec 2012 *Journal of Economic Psychology*. 33, 6, p. 1247-1265 19 p.
- Subsidies as optimal fiscal stimuli **Molana, H., Montagna, C. & Kwan, C. Y.** Dec 2012 *Bulletin of Economic Research*. 64, s1, p. s149-s167 19 p.
- Utilisation of eye-care services: The effect of Scotland's free eye examination policy, H., Ikenwilo, D., Norwood, P., Watson, V. & **Zangelidis, A.** Dec 2012 *Health Policy*. 108, 2-3, p. 286-293 8 p.
- An analysis of well-being in retirement: The role of pensions, health, and 'voluntariness' of retirement **Bender, K. A.** 1 Aug 2012 *Journal of Socio-Economics*. 41, 4, p. 424-433 10 p.
- Better to give than to receive?: Altruistic provision of a global public good **Abul Naga, R. H. & Jones, P.** Jun 2012 *Economics Letters*. 115, 3, p. 480-483 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.



Dr Fraser Summerfield

Researchers in Profile: Fraser Summerfield

We are pleased to welcome Dr Fraser Summerfield to the position of CELMR Research Fellow from 1 September 2014. Fraser joins us from the University of Guelph in Canada, where he has recently submitted his PhD thesis titled "Labour Market Conditions and the Worker-to-Job Match." Fraser's post has been funded through activities by CELMR members. Fraser will be working on topics including the relationship between earnings and well-being, and the match quality between workers and firms.

In addition to some prior work on job match quality, Fraser also has worked on several topics, including immigrant wage differentials, temporary employment contracts and the economic analysis of criminal behaviour. He is in the process of adapting his thesis chapters for journal submission in the coming months. He is happy to be joining CELMR and is looking forward to contributing to research at the Centre.

Fraser grew up in Canada, obtaining an Honors B.A. from the University of Western Ontario in London Canada, and went on to do both an M.A. and PhD in Guelph. When he is not doing research, you may find him enjoying the outdoors on a bicycle, snowboard, or on foot.

Mismatch Conference in October

CELMR is sponsoring, together with The Scottish Institute for Research in Economics, an upcoming conference entitled 'New Research in the Economics of Educational and Skills Mismatch' organised by Dr Harjinder Battu (h.battu@abdn.ac.uk). This two-day conference on the economics of educational and skills mismatch is to be held at the University of Aberdeen on 13-14 October 2014. Innovative theoretical and empirical contributions are featured with a focus on the reliability of measuring match quality, theoretical approaches to explaining mismatch, the determinants and consequences of mismatch for individuals and firms and the extent of mismatch during the financial crisis.

The conference will be organised around two invited keynote speakers, around ten academic papers and a policy roundtable. The keynote speakers are Professor Peter Kuhn, University of California, Santa Barbara and Professor Michael Sattinger, State University of New York at Albany.

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.