Essays on Human Capital and Instability
Andrew Gray

1 Female Unemployment and Statistical Discrimination: The Revealing Effects of Child Care Subsidies (job market paper)

In this paper, I examine the effects of child care subsidies on female employment status turnover, including potential spillover effects on those without children, which can occur in the presence of limited information and statistical discrimination. I provide evidence from the Survey of Income and Program Participation (SIPP) that working mothers quit their jobs less often and childless women in low-wage occupations experience layoffs less frequently where childcare subsidies are more generous. To rationalize these patterns, I develop a labor search and matching model that incorporates statistical discrimination. Employers know that on average women quit more often than men due to childcare needs. In response, they terminate their employment relationships with all women more readily. Childcare subsidies reduce the average gender difference in quit rates through their effect on mothers, obviating the need for statistically discriminatory behavior by firms, and increasing the employment persistence of all observationally similar women. Estimates from the search model allow me to examine counterfactual scenarios including full information and changes to subsidy policy.

2 Rational Responses to Uncertainty? Understanding Disadvantaged Youths’ Educational Choices (with Nicholas Papageorge, Stefanie DeLuca, and Seth Gershenson) (in progress)

Socioeconomic and racial gaps in college degree attainment have been quite persistent despite policymakers attempts to close such gaps. A heretofore overlooked reason that youths from disadvantaged backgrounds might underinvest in education stems from their experiences of instability. If youths correctly anticipate the kinds of adverse shocks that frequently occur in the lives of the poor (e.g., evictions, incarcerations or deaths of family members, or violence) – shocks that will interrupt, and possibly derail, their educational pursuits – then avoiding the lengthy time commitment associated with obtaining a four- or even two-year degree is a rational decision. In this paper, we examine this possibility using both nationally-representative data sets (the NLSY and ELS) and more narrowly focused novel data collected for the purpose of analyzing the frequency of such shocks and their effect on educational choices and outcomes. We also formulate a structural model of the decision-making process, which both informs the survey design process and will allow us to predict the effects of a set of policies designed to mitigate educational derailments due to adverse shocks.
3 Involuntary Quits, Bargaining Power, and the Wage Effects of Labor Market Policy (in progress)

In this paper I use a model of job search to demonstrate that policies which reduce turnover in workers’ employment status should vary in their wage effects based on how much bargaining power workers have. If variable costs of employment are reduced or eliminated, quit rates are lowered, generating additional expected profit but also reducing reservation wages. Both firms’ and workers’ bargaining positions are thus altered. The question is whether, and how much, worker bargaining power affects which party obtains this new surplus. To measure this, I use demand-side data to identify varying levels of worker bargaining power at the state-year level, then examine the relationship between this parameter and the wage effects of a particular labor market attachment policy: child care subsidization.