Essays on Labor Market Transitions and Welfare
Sung Ah Bahk

1 Distributional Effects of Ability Learning and Career Choice (job market paper)

This paper examines a new channel between wealth and earnings inequality, namely, the opportunity for workers to experiment and learn about their own capacities at work. Selecting into occupations that appropriately match their skills can lead to higher earnings levels for workers. Yet risk averse workers might be reluctant to experiment and to discover their highest earnings potential by moving between jobs because of the downside risk involved. In this paper, I provide a model and empirical evidence of how workers learn about their skills by changing jobs that require different combinations of tasks. Using data from the NLSY combined with data from the Dictionary of Occupational Titles, I structurally estimate a dynamic model that accounts for the career and savings choices of workers who update their beliefs about their own abilities from their productivity realizations in jobs requiring different tasks. The results show that occupational choices reflect constant relative risk aversion implying that lower wealth leads to less experimentation. Using this model, I find that a recently proposed Baby Bonds policy will likely have a large, long-term effect in reducing income inequality over the life-cycle.

2 Do Greater Unemployment Benefits Lead to Better Matches? Evidence from Emergency Unemployment Compensation Programs

This paper presents new evidence on why unemployment insurance (UI) benefit might lengthen search durations. Motivated by the finding in Chetty (2008) that additional benefits have much larger effects on unemployment durations for liquidity constrained households, I examine in this essay whether unemployed individuals with lower levels of wealth search for different kinds of jobs with different task levels than those with higher levels of wealth. A model of task-specific job search shows that job seekers with higher household assets tend to move further in terms of job tasks conditional on the previous match quality than those with lower household assets. I then exploit Propensity Score and Nearest Neighbor Matching methods to estimate the treatment impact of Emergency Unemployment Compensation Acts which extended the length of time benefits could be received, on occupational choice among job seekers. I find that an increase in UI benefit duration allows the unemployed to make larger changes in job-specific tasks relative to their pre-unemployment jobs.

3 Signaling vs. Learning and Human Capital Accumulation (in progress)

One important feature of most signaling theory models is asymmetric information, whereby workers know their skill levels but employers do not. In this paper I relax this assumption that workers have perfect information about their ability and replace it with the assumption that workers need to learn about their skills by making human capital investment decisions
whose payoffs reveal information about their ability. I construct a learning model of human
capital accumulation and analyze the equilibria in such a learning game, focusing on whether
it yields different implications than the classic signaling model. I analyze the human capital
accumulation decision, the size of the college premium, and student loan policies.