Abstract

Inequality in the unconditional distribution of observed wage rates in the U.S. rose substantially during the 1980s, mostly in the lower tail of the distribution. The causes of this rising wage inequality are obscured by the fact that concurrent decreases in the federal minimum wage tend to increase observed wage inequality, regardless of its effect on employment. This study uses regional variation in the relative level of the federal minimum wage to separately identify the impact of the minimum wage from nation-wide growth in “latent” wage dispersion during the 1980s. CPS wage data show a tight empirical relation between the relative level of the federal minimum wage and dispersion in the lower tail of the wage distribution, across states and over time. After accounting for the diminishing impact of the minimum wage during the 1980s, the evidence points to little or no increase in wage dispersion in the lower tail of the wage distribution.

David S. Lee
Department of Economics
Princeton University
Princeton, NJ 08544
609-258-4040
davidlee@princeton.edu
Recent Trends in Employer-Sponsored Health Insurance Coverage: Are Bad Jobs Getting Worse?

by

Henry S. Farber*

Princeton University

and

Helen Levy

Robert Wood Johnson Scholars in Health Policy Program
University of California--Berkeley

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Abstract. We examine whether the decline in the availability of employer-provided health insurance is a phenomenon common to all jobs or is concentrated only on certain jobs. In particular, we investigate the extent to which employers have continued to provide health insurance on what we term "core" jobs while reducing the availability of health insurance on "peripheral" jobs. We consider two dimensions on which jobs may be considered peripheral: if they are new (tenure less than one year) or part-time. We consider three outcomes whose product is the health insurance coverage rate: 1) the fraction of worker who are in firms that offer health insurance to at least some workers (the offer rate); 2) the fraction of workers who are eligible for health insurance, conditional on being in a firm where it is offered (the eligibility rate); and 3) the fraction of workers who enroll in health insurance when they are eligible for it (the takeup rate). We find that declines in own-employer insurance coverage over the 1988-1997 period are driven primarily by declines in takeup for core workers and declines in eligibility for peripheral workers. We also look at trends by workers' education level, and see how much of the decline in is offset by an increase in coverage through a spouse's policy. Our findings are consistent with the view that employers are continuing to make health insurance available to their core long-term, full-time employees but are restricting access to health insurance by their peripheral short-term and part-time employees.

* Address correspondence to: Henry Farber, Industrial Relations Section, Firestone Library, Princeton University, Princeton NJ 08544; farber@princeton.edu.
Forecasting Successful Economics Graduate Students

Alan B. Krueger  
Princeton University and NBER

and

Stephen Wu  
Princeton University

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Abstract: This paper seeks to identify the characteristics of applicants to graduate school in economics that predict successful job placement after completion of graduate school. Although there is considerable uncertainty in predicting the success of prospective Ph.D. students, the results indicate that GRE scores, reference writers, and admissions committee ratings are significant predictors of job placement.
Abstract

We investigate the impact of changes in states' anti-takeover legislation on executive compensation. We find that both pay for performance sensitivities and mean pay increase for the firms affected by the legislation (relative to a control group). These findings are partially consistent with an optimal contracting model of CEO pay as well as with a skimming model in which reduced takeover fears allow CEOs to skim more. We compute lower bounds on the relative risk aversion coefficients implied by our findings. These lower bounds are relatively high, indicating that the increase in mean pay may have been more than needed to maintain CEOs' individual rationality constraints. Under both models however, our evidence shows that the increased pay for performance offsets some of the incentive reduction caused by lower takeover threats.
Abstract

This paper empirically examines the role of social networks in welfare participation. Social theorists from across the political spectrum have argued that network effects have given rise to a culture of poverty. Empirical work, however, has found it difficult to distinguish the effect of networks from unobservable characteristics of individuals and areas. We use data on language spoken to better infer an individual's network within an area. Individuals who are surrounded by others speaking their language have a larger pool of available contacts. Moreover, the network influence of this pool will depend on their welfare knowledge. We, therefore, focus on the differential effect of increased contact availability: does being surrounded by others who speak the same language increase welfare use more for individuals from high welfare using language groups? The results strongly confirm the importance of networks in welfare participation.

We deal with omitted variable bias in several ways. First, our methodology allows us to include local area and language group fixed effects and to control for the direct effect of contact availability; these controls eliminate many of the problems in previous studies. Second, we instrument for contact availability in the neighborhood with the number of one's language group in the entire metropolitan area. Finally, we investigate the effect of removing education controls. Both instrumentation and removal of education controls have little impact on the estimates. (JEL D83 H53 I3 R20)
Abstract

Anecdotal evidence suggests that uncontrolled managers let wages rise above competitive levels. Testing this popular perception has proven difficult, however, because independent variation in the extent of managerial discretion is needed. In this paper, we use states’ passage of anti-takeover legislation as a source of such independent variation. Passed in the 1980s, these laws seriously limited takeovers of firms incorporated in legislating states. Since many view hostile takeovers as an important disciplining device, these laws potentially raised managerial discretion in affected firms. If uncontrolled managers pay higher wages, we expect wages to rise following these laws. Using firm-level data, we find that relative to a control group, annual wages for firms incorporated in states passing laws did indeed rise by 1 to 2% or about $500 per year. The findings are robust to a battery of specification checks and do not appear to be contaminated by the political economy of the laws or other sources of bias. Our results suggest that discretion significantly affects wages. They challenge standard theories of wage determination which ignore the role of managerial preferences.

(JEL J30, M12, G30)