BRISTOL – BATH APPLIED MICRO WORKSHOP

Location: University of Bristol • Boardroom • 2 Priory Road • BS8 1TX
Date & Time: Friday 27th February 1.30pm – 5.10pm

- Lunch available from 1.00pm onwards

1) 1.30-2.20pm
Helen Simpson
*Agglomeration Economies, Taxable Rents, and Government Capture: Evidence from a Place-based Policy*

2) 2.20-3.10pm
John Sessions
*Looking After Number Two? Competition, Cooperation and Workplace Interaction*

- Coffee break

3) 3.30-4.20pm
Kerry Papps
*Career wage profiles and the minimum wage*

4) 4.20-5.10pm
Yanos Zylberberg
*Internal labor migration as a shock-coping strategy: evidence from a typhoon*

**Pub/Dinner in Bristol after the workshop**

For further information please contact Stephan Heblich (stephan.heblich@bristol.ac.uk) or Matt Dickson (m.dickson@bath.ac.uk)
Helen Simpson
*Agglomeration Economies, Taxable Rents, and Government Capture: Evidence from a Place-based Policy*

We study how industry-level agglomeration economies affect government policy. Using administrative data on firm subsidies in economically lagging regions of Great Britain, we test two alternative hypotheses. Economic geography models imply that firms at an industry’s core can sustain higher tax burdens or require lower subsidies than firms in more remote locations. Conversely, political economy models predict firms at the industry’s core to be more successful at lobbying government, particularly at the sub-national level, thus obtaining more favourable fiscal treatment. We find that local government agencies structure subsidy offers to favour pre-existing employment in locally agglomerated industries, behaviour more in line with theories of policy capture than with economic geography models.

John Sessions
*Looking After Number Two? Competition, Cooperation and Workplace Interaction*

We build a model of worker interdependence in which two workers can either compete or cooperate and compare performance under either scenario to that of a single worker working in isolation. We show that whilst competition unequivocally reduces performance, cooperation may raise or lower performance. Employing a unique data set in which workgroups are comprised of either one or two workers, we are able to test explicitly for the presence of cooperation. We find empirical support for cooperative behavior.

Kerry Papps
*Career wage profiles and the minimum wage*

A model of on-the-job training in the presence of a minimum wage is presented. This predicts that, in most cases, the minimum wage will have a negative effect on a worker’s subsequent wage growth when wages are determined by individual bargaining but no effect when wages are determined by collective bargaining. If the minimum wage is set especially high, it may actually have a positive effect on wage growth in both sectors. These predictions are then tested using data from the Annual Survey of Hours and Earnings in the United Kingdom. Workers who were affected by the minimum wage before age 22 are found to have significantly lower wage growth later in life than others, but only if they worked on jobs that were not covered by a collective labor agreement. Evidence suggests that this difference in wage growth reflects differences in productivity between workers. No evidence is found of an upward-sloping relationship between the minimum wage and subsequent wage growth.

Yanos Zylberberg
*Internal labor migration as a shock-coping strategy: evidence from a typhoon*

We analyse how internal labour migration facilitates shock-coping in rural economies. Employing highly precise satellite data, we identify objective variations in the inundations generated by the most severe typhoon in Vietnam for decades, and match this treatment with a household panel survey before and after the shock. We find that, following the massive drop in income, households achieve to cope mainly through internal labour migration to urban areas: Households with settled migrants ex-ante receive more remittances. Non-migrant households react by sending new members away for work who earn less than established migrants, but remit similar amounts in the short-term.