NEWSLETTER 2024|18

CALENDAR

Economics and Sustainability Seminar Claus Kreiner (Copenhagen University) “Micro vs Macro Labor Supply Elasticities: The Role of Dynamic Returns to Effort”	**Mon, July 01** 16:00 - 17:15 H 26
Economic and Social History Seminar Theresa Neef (DIW Berlin) “The Long Way to Gender Inequality: Gender Pay Differences in Germany, 1871-2021”	**Wed, July 03** 18:00 - 20:15 PT 1.0.6

ABSTRACTS AND FURTHER INFORMATION

Economics and Sustainability Seminar

Claus Kreiner (Copenhagen University)

"Micro vs Macro Labor Supply Elasticities: The Role of Dynamic Returns to Effort"

Joint work with Henrik Kleven, Kristian Larsen and Jakob Søgaard

A key contention in economics is the discrepancy between micro and macro elasticities of labor supply with respect to marginal tax rates. We revisit this question, focusing on the role of dynamic returns to effort among top earners. We develop a new model of earnings responses to taxes in the presence of dynamic returns. In this model, the returns to effort are delayed and mediated by job switches such as promotions within firms or movements between firms. Short-run micro elasticities are attenuated relative to the true long-run macro elasticity. We proceed by providing two main empirical analyses using rich administrative data from Denmark. The first part presents descriptive evidence on earnings and hours-worked patterns over the lifecycle that confirm the predictions of the theoretical model. The second part presents quasi-experimental evidence on earnings responses to taxes using discrete job switches. The empirical strategy is informed by the theoretical model, according to which job switches can be used to (partially) identify the macro elasticity of labor supply. The evidence shows that, at the top of the distribution, macro elasticities are much larger than micro elasticities due to dynamic compensation effects.

Info:
in person

Economic and Social History Seminar

Theresa Neef (DIW Berlin)

"The Long Way to Gender Inequality: Gender Pay Differences in Germany, 1871-2021"

This paper provides the first time series of the gender pay ratio in Germany since 1871, comparing developments with Sweden and the U.S. Despite slow progress during the industrialization period, the early 20th century saw significant leaps. Germany's pay ratio climbed from 47% in 1913 to 58% in 1937, paralleling increases in Sweden and the U.S. Improved female education and the expanding white-collar sector contributed to pay convergence. However, Germany's focus on vocational training slowed women's educational advancement compared to the U.S. Women transitioning from low-paid agricultural to higher-paid white-collar jobs primarily drove the gender pay ratio increase in Germany. The postwar period exhibited diverging trends due to different economic conditions and policies in Germany, Sweden, and the U.S.

Info:
in person

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