

## Scientific Report on ESF / SCSS Exploratory Workshop Grant A8 “**Demographics, the Labour Market, and Income Mobility**”

### 1. Executive Summary

The grant has permitted to bring together several young international researchers, whose individual scientific expertises complemented each other well, in order to formulate and pursue a common research agenda on income mobility. The outcomes of the direct meetings are three papers the core group is currently working on. The contents of these papers are outlined in section 2. The workshop was successful in bringing together a larger group of researchers and extending the prospective research agendas. The workshop has also afforded the core group an opportunity to present some results of their common research effort. The detailed conference programme is listed in section 3. All papers were well received and benefited from fruitful and lively discussions. The principal organiser has ensured the widest possible dissemination by hosting a dedicated website.<sup>1</sup>

Overall, we believe that we have successfully met our envisaged objectives. We anticipate that the researchers brought together by the grant will collaborate on common projects in the future.

### 2. Scientific content (Core Groups + Bristol workshop)

The core group consists of Christian Schluter (Bristol), Mark Trede (Cologne), Xavi Ramos (Barcelona) and Dirk Van de gaer (Gent).

The core group has met on three occasions. The first meeting took place in Barcelona, 18<sup>th</sup> – 21<sup>st</sup> May, the second meeting in Gent, 5<sup>th</sup> – 8<sup>th</sup> October, and the last core group in Barcelona, 2<sup>nd</sup> – 5<sup>th</sup> November. The workshop / conference took place on 15<sup>th</sup> December in Bristol. The exchange visit between Bristol and Cologne took place 3<sup>rd</sup> – 9<sup>th</sup> January.

The core group members have benefited immensely from the opportunity of coming together since complementary expertises (empirical, statistical, and theoretical) could be pooled. The fruitful debates have resulted in new insights, which we currently develop in several scientific papers:

- The paper “Mobility as distributional change” proposes a new class of mobility measures which subsumes many of the popular measures used by practitioners as special cases. We are therefore able to unify considerably a quite diverse literature. Our tools also can be used to examine the normative properties of the mainly statistical mobility measures employed in practice, insights which were hitherto unavailable.
- The paper “Does job mobility lead to income mobility ?” applies the methods which we have developed in the first paper to the problem of job and earnings

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<sup>1</sup> <http://www.ecn.bris.ac.uk/eccs/esf/esf.htm>

mobility. A worker-firm panel for Germany will enable us to examine this potential transmission mechanism.

- In the paper “Income risk and expectations” we use data on households’ views about how incomes are expected to change in the next year, in order to achieve two ends. First, we seek to model explicitly the process of expectation formation. Second, we will examine whether the predictions made by households are “good”, or whether these systematically deviate from actual income realisations. This will enable us to assess the extent of income risk (i.e. unpredicted income fluctuations) experienced by households

The first core group meeting has focussed mainly on the first paper. In the second core group meeting we have set out our work agendas for the second and third paper. The third core group meeting has been devoted to advancing our ideas developed in these papers.

As regards the workshop / conference, Section 3 contains the detailed conference programme. All presented papers were devoted to aspects of our workshop topic. Each paper presentation was followed by an extensive discussion, introduced by a pre-assigned discussant. The sessions were very lively and productive. Schluter, as the principal organiser, has provided as wide access and dissemination as possible by hosting a dedicated website (<http://www.ecn.bris.ac.uk/eccs/esf/esf.htm>), which also permits the downloading of the presented papers.

### 3. Final programme of the Bristol workshop

#### Conference Programme

10 <sup>00</sup> - 10 <sup>30</sup>	Welcome Coffee
10 <sup>30</sup> - 11 <sup>30</sup>	<b>Simon Burgess</b> , "The Analysis of Poverty Data with Endogenous Transitions" (joint with Carol Propper and Matt Dickson)
11 <sup>30</sup> - 12 <sup>30</sup>	<b>Stephen P. Jenkins</b> , "Modeling low income transitions" (joint with Lorenzo Cappellari)
12 <sup>30</sup> - 14 <sup>00</sup>	Lunch
14 <sup>00</sup> - 15 <sup>00</sup>	<b>Olive Sweetman</b> , "Consequences of Specification Error for Distributional Analysis with an Application to Intergenerational Mobility" (joint with Donal O'Neill and Dirk Van de gaer)
15 <sup>00</sup> - 16 <sup>00</sup>	<b>Dirk Van de gaer</b> , "Mobility as Distributional Change" (joint with Christian Schluter)
16 <sup>00</sup> - 16 <sup>30</sup>	Coffee
16 <sup>30</sup> - 17 <sup>30</sup>	<b>Arthur van Soest</b> , "Expected versus Realized Income Changes: A Test of the Rational Expectations Hypothesis" (joint with Marcel Das)
17 <sup>30</sup> - 18 <sup>30</sup>	Plenary Discussion: Where does the literature on mobility stand ? Discussion lead by: <b>Christian Schluter</b> , "Income Expectations and Income Risk" - some preliminary results.

#### **4. Assessment of the results, contribution to the future direction of the field**

We expect that our papers, when eventually published in leading international journals, will (i) influence the way income mobility is measured, and (ii) lead to a greater use of subjective expectations data by economists. We expect to submit our papers by the end of this year or early next year.

#### **5. Final list of participants**

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## **6. Statistical information on participants (age structure, countries of origin, etc.)**

Countries of origin and gender should be clear from the list of participants given in section 5. As regards age, I think Professors Burgess, Jenkins, and van Soest are aged above 40, whilst the rest of the participants are aged below 40.