DISCUSSION OF:
“THE ALLOCATION OF TALENT AND U.S. ECONOMIC GROWTH”

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Overview

- Great paper!
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I learned from both theory and empirics.
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I’m going to talk about one aspect of the data missing from the model.

Not meant as a criticism of the paper. Model already contains a lot.
Example of what’s missing: hours margin

- Model treats labor supply as all or nothing.
  - Part-time workers in data treated as 0.5 participant and 0.5 non-participant.

- Conditional on working, women work fewer hours on average than men.
Women work fewer hours on average than men.

-30.0 -25.0 -20.0 -15.0 -10.0 -5.0
Female gap (log points)

Hourly wage

* ORG data, 25-64, usual hours per week ≥ 30.
* Controls: Education, 5 year age bin, rural, state, 3 digit occupation.
Gaps have similar lifecycle patterns.

Plotted for individuals born between 1960 and 1964. Other cohorts similar.
Why it matters? Hours premium on wage

- Overtime rules.

- Empirical estimates (e.g. Aaronson and French 2004): moving from 40 hours to 20 hours per week reduces hourly wage by 25%.


  - Pharmacists versus lawyers.
The findings gleaned from each of the graphs are similar although the levels are a bit different. In almost all cases the coefficient on female for each of the occupations is negative. That should not come as a surprise since it is a reflection of the lower earnings women receive relative to men in almost all occupations. If the individual's past employment history was included, as it will be for specific occupations presented later, the coefficients would be considerably smaller. Presented as in Figure 2, the coefficients give the raw gender gap in pay adjusted for age, education and time worked.

One way to think about the coefficient is that it is the penalty to being a woman relative to a man of equal education and age, given hours and weeks of work for each of the occupations. But why should the penalty differ so greatly by occupation, even for occupations that are high paying?

Each of the occupations has been categorized into one of five sectors: Business, Health, Science, Technology, and a miscellaneous group called “Other.” Although the categorization is generally clear (e.g., engineers in Technology; physicians in Health), occupation descriptions and groupings of the occupations in O*Net were used for less obvious cases. The list of occupations by category is given in online Appendix Table A1.

19 The Department of Labor’s Occupational Information Network (O*Net) is the successor to the Dictionary of Occupational Titles (DOT), which was first published by the Department of Labor in 1938 and last updated in 1991.
BACK TO HHJK

- Fixing occupation shares and parameters, wage gaps move $\tau$s:

$$
\frac{\bar{W}_{i,g,c,t}}{\bar{W}_{i,g=wm,c,t}} = \left( \frac{1 + \tau_{i,g,c}^h}{1 - \tau_{i,g,t}^w} \right)^{-\eta} \left( \frac{p_{i,g,c,t}}{p_{i,g=wm,c,t}} \right)^{-\frac{1}{\theta(1-\eta)}}.
$$

- Fixing occupation shares and parameters, age profile of wage gaps affects split between $\tau_h$ and $\tau_w$:

$$
\frac{\bar{W}_{i,g,c,t=c+j}}{\bar{W}_{i,g=wm,c,t=c+j}} = \left( \frac{1 - \tau_{i,g,t=c+j}^w}{1 - \tau_{i,g,c=t}^w} \right)^{\frac{1}{1-\eta}} \left( \frac{p_{i,g,c,t=c+j}}{p_{i,g=wm,c,t=c+j}} \right)^{-\frac{1}{\theta(1-\eta)}}.
$$

- Affects distance to frontier calculation.
- Matters for interpretation of past 50 years if occupation hours-wage premiums have changed.
MINOR QUIBBLES

1. Human capital augments productivity in the home sector exactly as it does in the market sector.
   
   ▶ Does law school make you a better mother/father?

2. Missing constraints: home sector production $\neq$ consumption.

3. Not rational expectations (individuals are myopic), but this may be realistic.

4. No unemployment but unemployment rates differ substantially across groups. Some non-participants may be discouraged workers but model will interpret as higher value of home sector.
Typos

1. p. 8: Expression for $\tilde{\omega}_{ig}$ missing terms in $\eta$, $3^{\eta-1}$, and right parentheses.
   - But note $\eta^{\frac{\eta}{1-\eta}}$ term in eq. 8 is correct.

2. Appendix p. 3: Extra $d\varepsilon^*$ in equation after (20).


4. Appendix p. 5: $dG(\varepsilon)$ in place of $dH(\varepsilon)$ in line above eq. 22.

5. Multiple (e.g. eq. 8): $\bar{T}$ is average experience, not integral of experience.

6. p. 18: assume $z_{ig} = 1$.

7. p. 15: Equation (15) missing $1 - \eta$ exponent on $1 - \tau^w$ fraction.
CONCLUSION: WHY IT’S A GREAT PAPER

- Really important question.

- Naive approach misses important economic forces such as selection and general equilibrium.

- Tractable model could be extended in other dimensions.

- Clear connection between model and data.

- Useful for other questions: cross-country income differences?