

Session ASSA II: Implications of Public Policies (Chair: Tyler Ransom, University of Oklahoma)

1. Seunghoon Lee (MIT, shoonlee@mit.edu), “Low-Hanging Fruit: The Benefits and Costs of a Small Food Waste Tax and Implications for Climate Change”

Abstract

Given that life-cycle greenhouse gas (GHG) emissions from wasted food is comparable to that of road transport, managing excessive food demand is essential for achieving climate change mitigation goals. A textbook solution is levying a corrective tax on food waste, but limited evidence exists on the benefits and costs of these taxes. By exploiting plausibly exogenous expansions in a small food waste tax - on average \$0.06 per KG - in South Korea, I document three main findings. First, the tax reduces annual food waste by 20% (53KG) and grocery purchases by 5.4% (46KG), worth \$172 for an average household, without compromising household nutritional needs. These estimates suggest that the program cost of reducing 1 ton of carbon dioxide is only \$13, or even negative when savings on the waste treatment budget is considered. Using the household production model, I then explore abatement strategies and corresponding costs and find that an average household increases their time spent on meal production by 5.5%, or 50 additional hours per year. Finally, the demand elasticity of groceries implies that the price effect explains only 5% of the reduction in grocery purchases. Instead, the tax seems to affect household behavior via non-pecuniary channels, in particular, by raising attention to food waste. The findings indicate that a small tax on food waste can be a powerful climate change mitigation tool by inducing environmentally advantageous changes in household behavior.

2. Shogher Ohannessian (University of Illinois Chicago, sohann2@uic.edu), “The Effect of the SSI Student Earned Income Exclusion on Education and Labor Supply”

Abstract

Youth with disabilities face financial constraints to attaining post-secondary education and encounter strong labor market disincentives when considering employment opportunities. Encouraging human capital development through employment and education could help young Supplemental Security Income (SSI) recipients transition off SSI reliance and improve their long-run economic self-sufficiency. I study the effect of the Student Earned Income Exclusion (SEIE), an education- and work-incentive for youth with disabilities receiving SSI benefits. The SEIE enables SSI recipients under age 22 to exempt \$1,930 of their monthly earnings from the SSI benefits determination if they are enrolled in school. Using the Survey of Income and Program Participation (SIPP) and an event-study design, I compare changes in SSI recipients' education and labor decisions in the months surrounding the strict age-22 SEIE eligibility cutoff. I find the SEIE causes SSI recipients to increase school enrollment by 8.6 percentage points and increase employment by 8.4 percentage points. The

findings suggest that the SEIE helps relax binding financial constraints for SSI recipients to attend college while revealing a substantial preference for employment among these recipients.

3. Pablo A. Troncoso (University of Georgia, Pablo.Troncoso@uga.edu), “Employment Effect of Means-Tested Program: Evidence from a Pension Reform in Chile”

Abstract

I study the employment effects of a 2008 policy reform of the Chilean pension system. The reform increased pension benefits, changed the accrual rates, and relaxed the eligibility criteria for low-savings retirees. I estimate the labor supply responses using two data sets. The first one is a representative cross-sectional survey with 12 waves between 1992 and 2017. The second is a unique database that combines monthly administrative records with a representative panel survey. Using a difference-in-differences approach with multiple time periods, I find that on average, the reform increased labor force participation and hours worked for men aged 60–64 years by 15% and 4%, respectively. The effects are heterogeneous and depend on how workers’ accrual rate changes, which depends on where workers are in the distribution of pension wealth and years of contribution. I find that a lack of pension knowledge is crucial in explaining the heterogeneity within different groups of workers. People with similar levels of pension wealth and monthly contributions behave differently depending on what they believe their pension assets and contributions are. I then develop a three-period model where workers decide consumption, non-pension assets, and labor supply. I conclude that the net impacts of the reform on labor decisions depend on pension wealth and workers’ knowledge about the pension system. These findings are consistent with the empirical results and suggest that better access to relevant information about the pension system may help workers make well-informed decisions when faced with a massive pension reform, especially in the case of a country with a high level of informality.

4. Sarah Deschênes (Northwestern University, sarah.deschenes@northwestern.edu), “Expanding Access to Schooling in Nigeria: Impact on Marital Outcomes”

Abstract

The paper uses the Universal Primary Education Program (UPE) implemented in Nigeria in 1976 to investigate the effect of wife and husband’s education on women’s empowerment. We combine regional disparities in baseline levels of enrollment with the timing of the program and the traditionally high age difference between partners to disentangle the impact of wife’s education from husband’s education. The UPE had heterogeneous effects in the South compared to the North of Nigeria. In the South, women achieve more gender-equal marriages by delaying marriage by 1.23 years, and by reducing the age gap with their husband by 2 years. More educated women also maintain a stable education gap with their husband. In the North, unions’ characteristics remain unchanged except for the probability to marry a polygamous partner that increases when husbands are treated. In both regions, women are better off as

the UPE decreases women's tolerance of domestic violence and increases their say in decision-making but the mechanic of the effects differ: Northern women are made better off by the education of their husband's whereas Southern women are better off thanks to the combined effects of their own education and their husband's.

5. Oscar Galvez-Soriano (University of Houston, ogalvezs@central.uh.edu), "Impact of English instruction on labor market outcomes: The case of Mexico"

Abstract

In this paper, I measure the effect of exposure to a foreign language in school on student achievement and labor market outcomes. I exploit a policy change in Mexico that introduced English instruction in elementary schools through the National English Program in Basic Education (NEPBE) in 2009. I construct a novel database, which contains nationwide information on elementary school students linked to school panel data on characteristics like hours of English instruction as well as their labor market records in adulthood. Using a Two-Way Fixed Effects (TWFE) model, I find that exposure to English instruction reduces the likelihood that an individual participates in formal sector employment. It is likely that this result is due to exposure affecting enrollment in high school and college, as my analysis focuses on young adults aged 16-24. Focusing on a subsample that is unlikely to be enrolled by age 16, I find that exposure to English instruction has no effect on wages. However, I do find a positive effect among high-achieving individuals. On the other hand, exposure reduced men's mobility but increased women's. This could be explained by women substituting jobs in agriculture for manufacturing industries. Furthermore, within manufacturing, I find a strong substitution of low-English intensive jobs for high-English intensive ones. I also evaluate the effect of exposure to English instruction on students' achievement to determine if part of the effect on wages is due to a reallocation of resources towards English instruction in primary schools, which can potentially affect the formation of human capital. I find no effects on Language and Math test scores, which suggests that the estimated effect of exposure to English language on wages is not reflecting changes to general cognitive skills.