## Session ASSA IV: Labor and Urban Markets (Chair: Fan Wang, University of Houston)

1. Minseon Park (University of Wisconsin-Madison, mpark88@wisc.edu),“Location Choice, Commuting, and School Choice”

   **Abstract**

   We study the interaction between residential location choices and public school applications/assignments under centralized school choice. Residential locations determine commuting distances to schools and admissions probabilities, which households consider when deciding where to live—a feature neglected in the empirical school choice literature. We propose a framework that captures this interaction, where households' observed and unobserved heterogeneity generates residential and school segregation. We estimate the model using administrative data from New York City's middle school choice system. Variation from a boundary discontinuity design separately identifies preferences for access to school from other location amenities. Residential location choices based on access-to-school preference explain 30% of school segregation. When households' residential locations are fixed, a reform that equalizes admissions probabilities to the highest-performing schools across locations reduces school segregation by 7%. However, households' endogenous location choices dampen the effect by half. Households' opting out of public schools to outside schooling options play a smaller role in evaluating the school desegregation effect of the policy.

2. Anjali Chandra (Fordham University, achandra7@fordham.edu), “The Roadblocks to Success: Evidence from India's Road Construction Program”

   **Abstract**

   Most children in low- and middle-income countries have below grade level proficiency in math and reading. Can poverty reduction programs that lead to significant increases in the demand for education, as measured by improvements in school enrollment, also improve learning? In this paper, using large-scale household survey data on math and language tests, I examine the effects of new roads on learning among school-aged children in rural India. Exploiting district-level time-varying variation in roads constructed under India's flagship road construction program, I show that new roads decrease learning for all children, with girls and younger children experiencing a more significant decline. I find that a one standard deviation increase in the concentration of new roads within a district reduces math and reading test scores by 2-4 percent of a standard deviation. I find increased student and teacher absenteeism as well as higher student-teacher ratios to be the primary mechanisms driving these results. These findings highlight that increases in demand for schooling induced by the road construction program will fail to improve children's learning unless accompanied by supply-side changes in school governance and teacher accountability.

3. Heejin Kim (UIUC, heejink2@illinois.edu), "The Effects of a Local Improvement on Housing Markets and Neighborhoods: Evidence from Chicago"

**Abstract**

I study heterogeneous impacts of a public park conversion on neighborhood change and housing prices. I examine the case of The 606, a multi-use bike trail park that was transformed from an abandoned railroad bed. I use synthetic control methods to construct a comparison area as the project site consisting of neighborhoods that had experienced similar changes before 2008, the year after funding first began to flow in. I estimate that housing prices near The 606 have changed with varying degrees between −10% and 40% across locations. The prices have increased to a greater extent in low-income neighborhoods, especially when they are located closer to higher-income neighborhoods. I find the larger effects on housing prices occur in the same places experiencing larger effects on household incomes and shares of college graduates. The result suggests that high-income households have greater values of the amenity and that housing price impacts could be increased through endogenous gentrification due to the preference for high-income neighborhoods.

4. Xincheng Qiu (University of Pennsylvania, qiux@sas.upenn.edu), "Vacant Jobs"

**Abstract**

Canonical theories of a frictional labor market conceptualize separations as job destruc- tion and vacancies as job creation. This paper shows that workers exiting the labor force hence vacating their positions is an empirically important source of both separations and vacancies. This job vacating channel is absent in standard models where vacancies are isomorphic to recruiting efforts. In contrast, new facts on vacancy dynamics point to an alternative view of vacancies as "vacant jobs" that embody sunk investment into physical or organizational capital. Incorporating the vacating channel brings novel labor market insights. First, procyclical employment-to-nonparticipation quits cause job-finding fluc- tuations through the vacating channel, accounting for about one-third of unemployment fluctuations over the business cycle. Second, massive labor force outflows in three episodes over the past century, including the post-pandemic "Great Labor Shortage," led to sky- rocketing vacancies due to the vacating channel, prompting a reevaluation of the lump of labor fallacy. Third, while the conventional job creation channel, as an investment activity, is responsive to changes in the real interest rate, the vacating channel is not, shedding new light on the labor market impact of real interest rates and the possibility of a "soft landing"—raising interest rates without causing high unemployment—during the "Great Resignation," a period with elevated vacated vacancies.

5. Jacob Kohlhepp (UCLA, jkohlhepp@ucla.edu), "The Inner Beauty of Firms"

**Abstract**

This paper studies how the internal organization of firms interacts with labor and product markets. I analyze millions of task assignments across hundreds of salons using data from a software company. I develop a measure of organization complexity, which is the amount of information required to implement a given task assignment. Complexity varies significantly across salons. More complex salons have higher rev- enues, employees, prices and return customers. Based on these facts, I develop a model where oligopolistic firms with different organization costs choose their internal structure. Complexity is costly, but it allows firms to improve product quality by bet- ter matching workers with multidimensional skills to tasks. I characterize the profit- maximizing organization as solving a rational inattention problem. This allows me to identify and estimate the model for Manhattan hair salons. A counterfactual sales tax cut increases task-specialization and therefore the productivity of all workers. A counterfactual increase in the minimum wage increases specialization for minimum wage workers, decreases specialization for non-minimum wage workers, and causes both positive and negative wage spillovers which are not monotone in initial wage. These outcomes occur because internal structure is a choice made by organizationally unique firms.

6. Nazanin Sedaghatkish (Virginia Tech, nazanins@vt.edu), "Identification of Loan Effects on Personal Finance: A Case for Small U.S. Entrepreneurs"

**Abstract**

Small entrepreneurs are vital to the U.S. economy. This paper draws information from a lender and a credit bureau to identify the causal effects of small loans on the financial health of a group of small U.S. business owners. To estimate the causal effects, the paper exploits temporal vari- ations in the loan disbursements across borrowers and uses of a dynamic difference-in-difference estimation strategy that controls for potential biases due to treatment effect heterogeneity. We identify loan effects on widely accepted indicators of financial health, such as Vantage Scores (credit scores), debt-to-income ratios, and credit utilization ratios. The results suggest that even small loans are effective for generating lasting positive impacts on these indicators. The results also shed light on the loan effects on sub-prime and startup borrowers, who are known to face difficulties in securing credit.