



Migration and Happiness Topical Research at IZA

How does the decision to migrate affect the well-being of migrants themselves, and that of natives in the receiving country? What is the role of ethnic identity and cultural assimilation in this context? These are increasingly important questions in a world that experiences growing migration flows, as well as rising populist tendencies that often result from a lack of understanding of the benefits of migration.

Until recently, the causes and consequences of migration have been traditionally studied using “objective” measures of welfare. For example, the principal determinants of migration have been identified in the existence of income differentials, migration costs, house prices, and institutional and political barriers. The study of the economic performance of immigrants in the new country has equally used standard objective measures such as human capital, demographics, and labor market characteristics.

Similarly, the impact of migration has been conventionally studied by exploring the effect on the wages and employment of native individuals. However, these objective measures can only partially capture the complex reasons behind the migration decisions, the accomplishments of immigrants, and the impacts that migration has on individuals in the region of destination.



“Subjective well-being is an important, often underestimated determinant of migration decisions and integration outcomes. At the same time, immigration can have a substantial impact on the happiness of natives. Research on the economics of happiness must therefore examine both the individual life satisfaction of migrants and the well-being implications for the population in receiving countries.”

Klaus F. Zimmermann
(IZA Director, University of Bonn)

Happiness in economics

As the Commission on the Measurement of Economic Performance and Social Progress, appointed by French President Sarkozy in 2008, stated in their report: “Quality of life is a broader concept than economic production and living standards. It includes the full range of factors that influences what we value in living, reaching beyond its material side.”

France and the UK have been at the forefront of actively investigating the extent to which happiness indices can be used by governments to more adequately measure the overall welfare of a country. They collect well-being and happiness data with the ultimate goal of evaluating policy. The German Parliament has also appointed a commission to discuss this new approach.

Positive impact of immigration?

Recently, a strand in the economics of migration literature has been shifting its attention towards analyzing the relationship between migration and subjective well-being (SWB) measures. Subjective measures (which include “happiness” and “life satisfaction”) can capture the “experienced utility” of individuals in a broad manner and can complement objective measures such as income, therefore providing a comprehensive picture of the causes and consequences of migration. Researchers at IZA and scholars within the IZA network have been pioneering this topical research.

An article entitled “The Impact of Immigration on the Well-Being of Natives,” published in the *Journal of Economic Behavior and Organization* by *Alpaslan Akay* (University of Gothenburg and IZA), *Amelie F. Constant* (George Washington University, Temple University and IZA) and *Corrado Giulietti* (IZA), analyzes the impact of immigration on the life satisfaction of natives using the German paradigm. For the first time in the literature, the authors used natives’ happiness directly to test the impact of immi-

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gration on the welfare of natives. The striking finding is that immigration positively affects natives' well-being. The analysis is based on national representative data from the German Socio-Economic Panel for 1998–2009, which were combined with detailed information about the local labor market (including immigration rates, unemployment rates, and income) from INKAR (*Indikatoren und Karten zur Raumentwicklung*). The IZA discussion paper version of this article already generated a lot of publicity in Germany. It appeared in the *Frankfurter Allgemeine Zeitung* and other European newspapers.

Immigration in Germany

Immigration increased substantially in Germany over the past 20 years. Estimates by Eurostat report that in 2010 there were 9.8 million foreign-born individuals residing in Germany (accounting for as much as 12 percent of total population). Furthermore, the share of immigrants differs substantially across regions and between the East and West of Germany (▶ see chart). In their panel data regression analysis, the authors exploit changes over time in the regional shares of immigrants to investigate whether migration influences natives' SWB. The SWB variable is derived from the question "How satisfied are you at present with your life as a whole?", which allows responses on a scale from 0 to 10, where 0 stands for "completely dissatisfied" and 10 for "completely satisfied".



"The impact of immigration is a function of the degree of economic and cultural assimilation of immigrants in the region. Our results show that immigration increases well-being up to a certain level of an 'assimilation threshold', beyond which its effect becomes essentially zero."

Corrado Giuliatti
(IZA Director of Research)

Various econometric specifications are explored to account for estimation issues, including the presence of unobservable factors that could influence, at the same time, the size of regional immigration and individuals' well-being. The results show that natives who live in regions with a high share of immigrants are substantially happier than those living in a region with a low concentration of immigrants. The magnitude of such effect is sizeable and comparable, in absolute terms, to the (negative) happiness effect of being unemployed. Further analysis reveals that the effect is stronger for those who are male, young, married, less educated and employed. Importantly, the authors carry out meticulous tests to ensure that the

positive effect is not driven by confounding factors. First, they thoroughly account for the role of local characteristics (e.g. for the fact that regions with more immigrants tend to be the wealthiest). Second, they confirm that the positive effect is not a consequence of less happy natives moving out from high-immigration regions. Third, they ascertain that immigrants themselves are not sorting in function of the regional level of well-being.

The paper also tested whether the impact of immigration has differential effects on natives and other immigrants. Interestingly, the paper finds evidence that the increase in the migration rate in a locality is strongly and negatively correlated with the happiness of other immigrants.

The role of economic assimilation

The authors thoroughly examined various channels that could explain the positive effect of immigration, exploring the impact that goes through the labor market, ethnic diversity or immigrant assimilation. While there is no evidence that the first two channels play a major role, the role of immigrant economic assimilation seems crucial. In particular, the effect of immigration on natives' SWB is essentially zero in regions where immigrants are the least assimilated, i.e. where their wages diverge substantially from those of natives'.

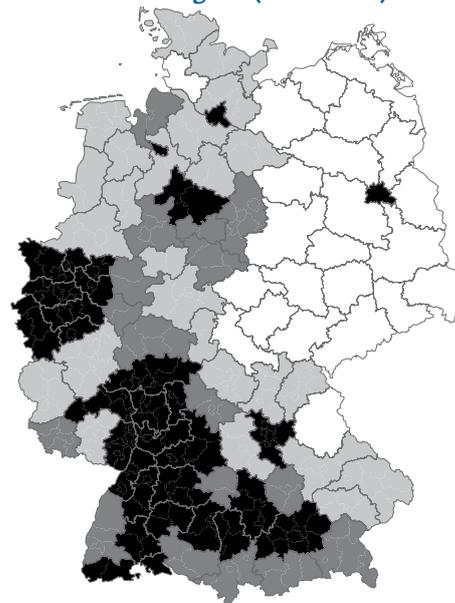
The effect peaks in regions where immigrants are intermediately assimilated, following an increasing function. Finally, and perhaps puzzlingly, the effect on natives' SWB decreases to zero in areas where immigrants are fully assimilated. Similar results were obtained when the authors tested the role of immigrants' cultural assimilation and German identity; the happiness of natives decreases when immigrants appear culturally assimilated to Germans and self-identify with Germany.

The authors provide a possible explanation for this last result: In fully assimilated regions, the increased socio-economic status of immigrants might imply that they enter into the reference group of natives, generating an "envy" effect. In other words, having more immigration in fully assimilated regions does not increase natives' SWB since the utility generated by assimilation is annihilated by the disutility of living with more immigrants who have an income or social status similar to them.

What aspects of life are affected by immigration?

Finally, further analysis reveals that satisfaction with dwelling and leisure appear to

Average shares of immigrants in German regions (1997–2007)



□ 1.6–4.0% ■ 4.0–6.5% ■ 6.5–9.0% ■ 9.0–14%

Source: Akay, Constant and Giuliatti, 2014.



be the most affected domains. The housing market seems not to be the explanation behind the positive effect on satisfaction with dwelling. The increased supply and lower price of housing services (e.g. children and elderly care, cooking, gardening and cleaning) as a consequence of migration appears to be the most likely explanation behind the positive effect on satisfaction with dwelling. On the other hand, it seems that immigration has a positive impact in increasing both the "quantity" and the "quality" of natives' leisure.

The research by Akay, Constant and Giuliatti has several policy implications. Most importantly, immigration is found to influence the welfare of natives beyond objective outcomes (e.g. wages and employment). Hence public interventions aiming at tempering (or amplifying) the effects of immigration should take this key aspect into account. Furthermore, the degree of the assimilation of immigrants is related to natives' well-being. Full assimilation appears to annihilate the positive effects of immigration, potentially due to natives' positional concerns. This does not mean that integration/assimilation policies are inefficient or undesirable. On the contrary, such policies should take into consideration the fact that there are complex trade-offs, also involving non-monetary dimensions of immigration.

Similar results in other countries

This research was followed up by an article by *William Betz* (Colgate University) and *Nicole Simpson* (Colgate University and IZA)

published in the IZA Journal of Migration (IJMOM 2013, 2:12), who extended the research question to a panel of 26 European countries. They also found that immigration exhibits a positive impact on natives' well-being. The authors use data from the European Social Survey for the period 2002 to 2010 and merge them with immigration flow statistics from the international database of the OECD. The selected countries exhibit large variation in terms of immigration flows (which are highest in Germany and Spain and lowest in Finland and the Slovak Republic) and happiness (with the highest levels recorded in Denmark and Switzerland and the lowest in Russia and Bulgaria).

The analysis takes into account many of the factors that could affect both immigration and happiness, such as demographic characteristics, marital status, income, as well as the macroeconomic conditions of each country. While the results show a positive impact overall, the effect is found to be different over time. Immigrant flows pertaining to the year before the survey exhibit a larger positive effect on well-being than flows of less recent migrants. The authors provide possible explanations for this result. Recent immigrants might provide skills which are complementary to natives, or could lower the prices of goods and services, thereby increasing natives' well-being. Over time, however, immigration might produce more competition in the labor market, thereby lowering the positive impact of immigration.

An important lesson from these new papers that will form the scope of future research is the investigation and understanding of the channels behind this result, as well as its potential for policy implications. The field is growing fast, and scholars are becoming more and more confident that the knowledge generated by happiness research can directly be used to test various hypotheses, which are not easy to be tested by using standard approaches in economics. Happiness data will be used more and more to test important problems in economics and policy. Information obtained by using objective or subjective measures of welfare may fully converge in the future.

The decision to migrate

Happiness might also be a key factor in the migration decision. Objective outcomes such as income differentials between the region of origin and destination are certainly fundamental, but subjective factors, such as psychological costs, may also influence whether an individual migrates or not. More broadly, prospective migrants make decisions by comparing their overall utility

at home with the one they would achieve in the area of destination. Hence, understanding how happiness influences migration becomes an important question.

This is the core objective of a chapter by Nicole Simpson included in the recently published International Handbook on the Economics of Migration edited by Amelie F. Constant and Klaus F. Zimmermann (IZA and University of Bonn). The author argues that happiness and migration might not be necessarily positively related. For example, migrants might adapt quickly to the conditions in the country of destination, and their overall well-being could quickly fall from an initial higher level. Furthermore, after immigration the reference group of migrants might change (i.e. migrants might compare themselves to individuals in the destination area instead to those at the origin).

Happiness and emigration

Simpson provides an extensive review of empirical studies which seem to confirm her theoretical argument. Some studies indeed find that the highest emigration rates are observed in countries with the lowest level of happiness. However, there is also evidence that emigration is high in countries with the highest level of happiness. This suggests a sort of U-shaped relationship between happiness in the origin country and emigration.

Similar mixed evidence was also reported by the review contained in the IZA World of Labor article by Artjoms Ivlevs (University of the West England and IZA). The author reports that the majority of studies find that prospective migrants are in general less happy than those who do not want to migrate – although one study that attempts to address causality issues found that an increase in SWB might lead to stronger intentions to migrate.

In terms of the migrants' happiness in the destination, the majority of the studies analyzed by Simpson find that migrants are less happy than comparable natives. The principal reason seems to be that migrants "bring with them" the lower happiness that characterizes their country of origin. In fact, their level of happiness does not seem to converge to that of natives, neither over time, nor across generations.

One of the potential problems in these studies has to do with the timing of happiness measurement. It is likely that migrants' happiness is highest right after migration, but after a few years it decreases to initial levels or adapts depending on the new reference group. It is therefore crucial to

"Our key finding, that native Germans' happiness increases as immigration in their region of residence increases, is the first in the literature."



Amelie F. Constant
(IZA Program Director, George Washington University and Temple University)

take into account that the effect depends on the length of stay of migrants in the country.

Language also plays an important role in this respect, as *Viola Angelini* (University of Groningen), *Laura Casi* (Bocconi University) and *Luca Corazzini* (University of Padua) point out in a study that is forthcoming in the next issue of the Journal of Population Economics. They show that cultural identification and the level of language acquisition have a significant impact on the well-being of immigrants.

Life satisfaction of immigrants

Another challenge in studying the relationship between happiness and migration is that one would need to compare the well-being of migrants before and after migration, but this is rarely possible even with modern data. An idea to overcome this hurdle is offered in a recent study by *Milena Nikolova* (IZA) and *Carol Graham* (Brookings Institution, University of Maryland and IZA) using Gallup World Poll data on migration from transition economies.

Their analysis compares migrants who live in developed countries with similar individuals who live in transition economies but who have expressed the intention to migrate. Comparing individuals with more similar characteristics allows a better understanding of whether migrants are happier or not after having migrated. Indeed the authors find that once in the country of destination, migrants report higher SWB than (comparable individuals) before migration. This result is in contrast with the empirical evidence reporting that happiness decreases after migration.

The authors offer some explanation by highlighting several channels which characterize migration from transition countries. Migrants from these countries enjoy higher satisfaction with freedom when compared to individuals in the sending countries, which is likely to increase their overall well-being. Moreover, transition economies are not culturally distant from the receiving regions, which might ease the process of migrants' assimilation and thus their happi-

ness. Last but not least, since migrants from transition countries face virtually no barrier in returning home, they might be relatively happier when compared to individuals from developing countries, who have more financial or psychological obstacles to move back.

In an article published in the *Review of the Economics of the Household*, Alpaslan Akay, Corrado Giulietti, Juan David Robalino (Cornell University) and Klaus F. Zimmermann hypothesize that remitting money back home is an important factor affecting migrants' happiness. To test this, the authors use a sample of migrants living in urban areas using data from the Rural-to-Urban Migration in China (RUMiC). The authors find that more remittances are associated with higher SWB. Interestingly, the magnitude of this relationship is weaker for those migrants who have migrated outside the province. This suggests that those who migrate far

away from home may feel less attached to their hometown and the family left behind.

Moreover, the effect is found to be stronger for migrants who have fewer family responsibilities (e.g., migrants who are single or migrate with their spouses but have no children). This indicates that remittances might be perceived as a strong, implicit obligation by migrants with family responsibilities, making them less satisfied when compared to those migrants who remit yet have fewer or no responsibilities. Finally, the authors use SWB measures to elicit the motivations behind remittances, finding that both altruistic and non-altruistic motivations are at work.

The future of happiness research

The studies above show a growing interest in learning more about the relationship between happiness and migration. There are

many fascinating questions that this emerging literature could investigate in the future. In particular, the understanding of the exact channels through which migration affects well-being seems a promising avenue for future work.

Other important and unexplored questions are: What is the role of the ethnic identity and cultural assimilation of immigrants with regard to their own happiness in the new country? And how does this affect the happiness of natives? Answers to these questions may provide the missing information on the persistent and unexplained wage and occupational gaps between natives and immigrants. They may also help understand the negligibly negative – and instead often positive – impact of immigration on the jobs of natives.



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IZA Journal of Migration, 2013, 2:12.
▶ <http://www.izajom.com/content/2/1/12>

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International Handbook on the Economics of Migration (edited by Amelie F. Constant, Klaus F. Zimmermann), Edward Elgar Publishing 2013, 393–407.

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IZA World of Labor 2014: 96
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▶ <http://wol.iza.org/articles/happiness-and-the-emigration-decision>

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Journal of Population Economics, 2015, 28 (3).
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In Transit: The Well-Being of Migrants from Transition and Post-Transition Countries
Journal of Economic Behavior & Organization, 2015 (112), 164–186. IZA DP version:
▶ <http://ftp.iza.org/dp8520.pdf>

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Remittances and Well-Being Among Rural-to-Urban Migrants in China
Review of Economics of the Household, 2014, 12 (3), 517–546.

Ten Years of “Hartz IV” – What Really Helps the Long-Term Unemployed IZA Conference Assesses the Reform of Employment Services

Notwithstanding the excellent labor market situation and emerging skills shortages, the number of long-term unemployed in Germany has stagnated for several years and remains well above the average of OECD member states (see IZA Compact, November 2014). It becomes apparent that the existing employment agency structures have been only marginally successful at reintegrating this group into the first labor market.

The IZA conference on “Ten Years of Hartz IV” brought together researchers, government officials and representatives from labor unions and employers' associations to provide a professional and independent platform for discussion. Organized by Alexander Spermann

(IZA Director of Labor Policy Germany; University of Freiburg) and Klaus F. Zimmermann (IZA Director; University of Bonn), the event took place in Berlin on November 20, 2014.

Spermann introduced a five-column concept for the prevention and reduction of long-term unemployment and long-term benefit receipt. Considering the heterogeneity of the target group, Spermann said the success of future labor market policies crucially depends on the development of custom-tailored measures that account for the specific needs of each individual.

His five-column concept aims at preventing long-term unemployment by (1) promoting

early childhood education and facilitating success in the area of schooling and vocational training, and (2) reducing the number of transitions from short to long-term unemployment, in particular by improving strategies of employment services. (3) Temporary wage subsidies and on-the-job coaching could increase the rate by which former long-term unemployed achieve sustainable access to the first labor market. The remaining components of the concept are (4) labor market-oriented training measures including partial qualification models, and (5) defining realistic intermediate goals in the process of activating long-term benefit recipients and unemployed who have become out of touch with working life.



Alexander Spermann



Hermann Genz

Debt and addiction counseling, psychosocial assistance, voluntary work, teaching of “soft skills”, the ability to give and accept constructive criticism, teamwork, or taking up an internship can be steps to achieve intermediate goals. To make this happen, the job centers need more and better trained case managers, and social integration services must become available nationwide. Spermann also strongly recommended getting rid of the technocratic “Hartz IV” terminology, which has received a stigmatizing connotation.

Hermann Genz (Jobcenter Mannheim) reported on first-hand experience from the daily business of the job centers. He remarked that long-term unemployment is often associated with serious personal hardships such as social, health, family or schooling issues, and therefore tends to concentrate in certain neighborhoods and socioeconomic networks. Providing comprehensive individual support is thus imperative for a successful reintegration of long-term unemployed into the labor market.

Genz particularly highlighted the importance of a greater intensity of assistance for the long-term unemployed, paired with an increase in the quality and scope of job center services. These services could help long-term unemployed cope with their per-

sonal problems and establish, or maintain, a well-structured daily routine.

In addition, the different services for the long-term unemployed should be organized in closer proximity. For instance, the success or failure of a measure may hinge on the mere geographic distance between the job center and debt counseling or other services. More generally, Genz also advocated a stronger emphasis of employment services on their customers’ talents rather than deficits.

In the subsequent panel discussion, Hermann Genz was joined by IZA Director Klaus F. Zimmermann and representatives from the Federal Employment Agency (BA), the Federal Ministry of Labor and Social Affairs (BMAS), the German Confederation of Trade Unions (DGB) and the Confederation of German Employers’ Associations (BDA).

Ingo Kolf (DGB) considered the targeted assistance and qualification of long-term unemployed as a viable option to address skilled labor shortages. Somewhat more skeptical in this regard, Zimmermann considered extensive retraining of adults less promising. The focus should rather be on early childhood education among socioeconomic groups where this has been proven essential for more equality of opportunity, Zimmermann suggested.

Elisabeth Neifer-Porsch (BMAS) agreed with his assessment and underscored the importance of career orientation initiatives at school, measures to reduce the dropout rate, and extra language training for children from immigrant families. *Christina Ramb* (BDA) recalled that the primary goal of employment services should be reintegration into the first labor market. She supported on-the-job coaching as a means to achieve a lasting reintegration.

Markus Schmitz (BA) called for a change of mind among employers. Widespread prejudices against long-term unemployed individuals must be overcome, cooperation schemes between job centers and firms should be established, and the sustainability of employment in the first labor market must be improved, said Schmitz.

IZA experts will continue to critically and constructively evaluate German policy activities aimed at reducing long-term unemployment.

Alexander Spermann

Zehn Jahre Hartz IV – Was hilft
Langzeitarbeitslosen wirklich?

IZA Standpunkt Nr. 76, 2014

► <http://ftp.iza.org/sp76.pdf>



A. Spermann, M. Schmitz, E. Neifer-Porsch, H. Genz, C. Ramb, I. Kolf, K. F. Zimmermann, H. Krümmrey

Evaluation of Start-Up Subsidies for the Unemployed

Strongest Positive Effects for Unemployed Females

Low female labor market participation is a problem many developed countries have to face. Within OECD countries, only 61 percent of women of working age actively participated in the labor market in 2008, whereas the ratio was 80 percent for men. This gap is particularly alarming as women today tend to be higher educated on average, with better school degrees and higher shares of university graduates. Hence, activating this untapped skilled labor resource is a key issue in the current policy debate.

Besides activating inactive women, one possible solution is to support the re-integration of unemployed women. Eurostat reports that low participation rates among women are mainly driven by family-related reasons, as they have to balance work and family life. Women's preferences for flexible working schemes and limited availability of those jobs (e.g., within the OECD, only 15 percent of jobs are part-time) impede labor market integration.

In light of these female-specific labor market constraints (preferences for flexible working hours, discrimination) the question arises whether active labor market policies (ALMP)

are an appropriate tool to remedy the situation. It has been shown that the effectiveness of traditional ALMP programs, which focus on the integration in dependent (potentially inflexible) employment, is positive but limited.

At the same time, recent evidence for Austria shows that these programs reduce fertility, which might be judged unfavorable from a societal perspective. Promoting self-employment among unemployed women might therefore be a promising alternative. Starting their own business could give women more independence and flexibility to reconcile work and family and increase labor market participation.

In an article recently published in the *Journal of Population Economics*, *Marco Caliendo* (University of Potsdam and IZA) and *Steffen Künn* (IZA) examined the prospects of start-up subsidy programs. They employed causal analysis, where propensity score matching methods are used to compare program participants with non-participants (other unemployed women). This showed large and significant employment effects for female participants that are three to four times as large as estimated employment

effects for traditional ALMP programs such as training or job creation schemes.

Self-employment may help unemployed women overcome existing labor market barriers and achieve lasting labor market integration because it often offers better compatibility of work and family. Most notably from a family policy perspective, the authors found no significant reduction in fertility due to participation in the start-up subsidy program.

Marco Caliendo, Steffen Künn

[Getting back into the labor market: the effects of start-up subsidies for unemployed females](#)

Journal of Population Economics, 2015 (March).

Further reading:

Marco Caliendo, Steffen Künn

[Regional Effect Heterogeneity of Start-Up Subsidies for the Unemployed](#)

Regional Studies, 2014, (48, 6), 1108-1134.



Narrowing the Gender Gap in Promotions

Female Leaders Increase Workplace Diversity

Although women comprise 45 percent of the labor force across OECD countries, they continue to earn less than men on average and remain under-represented among business leaders. A new study by *Astrid Kunze* (NHH Bergen and IZA) and *Amalia Miller* (University of Virginia and IZA) on private sector establishments in Norway shows that women with the same years of education, work experience, tenure and hours of work as men fall behind on the career ladder because they are less likely to be promoted than men.

The gap is substantial and, strikingly, holds not only for higher ranks and promotions into top leadership positions but also for low and middle ranks where promotions take place into a wider range of jobs including chief engineers, accountants, or logistics managers. This shows that firms should be concerned with the entire workplace hierarchy to accomplish the goal of a more equal representation of men and women in the workplace.

These findings hold when comparing across different workplaces or looking

within the establishments over time, indicating that female progress up the career ladder is not caused by their working in establishments that offer fewer promotion possibilities overall or sorting into establishments that make it easier to combine having children and part-time work.

The results of the study suggest that recruiting and retaining more women among the various ranks of bosses may be effective. In particular, the study finds that gender differences in promotion rates out of a particular rank are significantly smaller when there are more women in higher ranks at the same establishment.

This is consistent with positive spillover effects between women through, for example, mentoring, sponsorship or role modeling. The results further suggest that policies that increase women's representation in top leadership positions have the potential to also increase representation among mid-level managers and can benefit female workers at all ranks of the organization.

But not all spillovers are positive. Having more women at the same rank within the same establishment actually decreases women's promotion rates relative to similar men. One possible explanation is that an increase in female peers decreases the chances to receive mentoring resources from higher-ranking women; these resources tend to be scarce because of the paucity of female leaders. This would also suggest that gender diversity in firms can be fostered through policies that increase the proportion of women in leadership positions.

Astrid Kunze, Amalia R. Miller

[Women Helping Women? Private Sector Data on Workplace Hierarchies](#)

IZA Discussion Paper 8725, 2014.

► <http://ftp.iza.org/dp8725.pdf>



Gender Convergence in the Labor Market

New Volume of Research in Labor Economics

In most countries, women's labor force participation has risen while men's has fallen in recent years. At the same time, fertility rates declined, marriage rates decreased, and the average husband-wife age difference shrunk slowly but steadily. The number of single mothers rose, and women's schooling levels surpassed men's in some countries.

Along these trends, men's and women's wages and occupational structures have been converging. Research published in the new volume of *Research in Labor Economics*, edited by IZA Fellows *Solomon Polachek* (State University of New York at Binghamton) and *Konstantinos Tatsiramos* (University of Nottingham) together with IZA Director *Klaus F. Zimmermann*, investigates whether these trends are related, and whether we indeed observe gender convergence in the labor market. One explanation given for the gender wage gap is the division of labor in the home. According to this argument, husbands specialize in market work whereas their wives specialize more in home activities, especially when they face family constraints such as the presence of children. As a result, husbands work a greater portion of their lives, invest more in human capital, and attain higher wages.

One of the studies contained in the current *Research in Labor Economics* volume proposes

a new explanation. The idea is that men have a comparative advantage in the market even at the very start of their marriage because they are typically older and more educated than their wives, and thus earn more even if there was no discrimination. Data from 200 countries indicate this is the case in all but San Marino.

On average husbands are over two years older than their wives, but the age difference is as large as nine years, especially in less developed countries. The demand for children exacerbates these differences. Since women have limited years of fecundity, a high demand for children strengthens men's demand for younger less educated wives. Over time, as fertility decreased, the husband-wife age gap narrowed, division of labor lessened, and the gender wage and occupational disparities diminished.

Although the wage gap between men and women has been narrowing, there still remains a substantial difference. One important question is whether government policies are effective in reducing the gap. One such policy is family leave legislation designed to subsidize parents to stay home with newborn or newly adopted children. One of the RLE articles shows that for high earners in Sweden there is a large difference between the wages earned by men and

women (the so-called "glass ceiling"), which is present even before the first child is born. It increases after having children, even more so if parental leave taking is spread out.

These findings suggest that the availability of very long parental leave in Sweden may be responsible for the glass ceiling because of lower levels of human capital investment among women and employers' responses by placing relatively few women in fast-track career positions. Thus, while this policy makes holding a job easier and more family-friendly, it may not be as effective as some might think in eradicating the gender gap.

The issues explored by the other eight studies in this volume include patterns in lifetime work, gender complementarities, career progression, and the gender composition of top management.

Solomon W. Polachek, Konstantinos Tatsiramos, Klaus F. Zimmermann (eds.)

Gender Convergence in the Labor Market

Research in Labor Economics, 2015 (41).

► <http://www.emeraldinsight.com/doi/book/10.1108/S0147-9121201541>



Using Internet Activity Data to Study Human Resource Issues

Special Issue of the International Journal of Manpower

Just out, a special issue of the *International Journal of Manpower* examines the potentials and challenges of internet activity data or "Big Data" for research in the social sciences with a special focus on human resources issues. Internet data increasingly represent a large part of everyday life. The information is timely, perhaps even daily following the factual process. It typically involves large numbers of observations and allows for flexible conceptual forms and experimental settings.

The introduction paper by *Nikolaos Askitas* and *Klaus F. Zimmermann* on "The Internet as a Data Source for Advancement in Social Sciences" reviews the issues and surveys the relevant literature. Internet data can be applied to a wide range of issues including forecasting (e.g. of unemployment, consumption goods, tourism, festival winners and the like), nowcasting (obtaining relevant information much earlier than through traditional data-collection techniques), detecting health issues and well-being (e.g. flu, malaise and ill-being during economic crises), documenting

the matching process in various parts of the individual life (e.g., jobs, partnership, shopping, preferences), and measuring complex processes where traditional data have known deficits (e.g. international migration, collective bargaining agreements in developing countries).

The paper by *Emilio Zagheni* and *Ingmar Weber* on "Demographic Research with Non-Representative Internet Data" addresses the two most critical methodological issues in the use of internet data: non-representativeness and selection bias. It proposes a framework to collect web data and discusses possible estimation methods. The paper also surveys relevant demographic literature, in particular in the area of migration, where useful data about the mobility process are typically scarce in the traditional data sources.

Two papers study well-being from different data sources. *Askitas* and *Zimmermann* examine "Health and Well-Being in the Great Recession" using Google activity data to

trace and document the impact of the 2008 Financial and Economic Crisis on well-being. They are able to confirm previous knowledge from the economics of health, well-being and the business cycle. *Martin Guzi* and *Pablo de Pedraza* in their article "A Web Survey Analysis of Subjective Well-being" employ data from the voluntary web-survey *WageIndicator* project. They confirm that job characteristics affect job satisfaction and identify spillovers, since satisfaction in one domain affects other domains.

Margaret Maurer-Fazio and *Lei Lei* study the Chinese internet job board labor market in their paper "'As Rare as a Panda': How Facial Attractiveness, Gender, and Occupation Affect Interview Callbacks at Chinese Firms." They examine in a resume audit (correspondence) study how discrimination derived from gender and facial attractiveness varies across occupation, location, and firms' ownership type and size. They find that women are generally preferred to men, and unattractive job candidates have a disadvantage. In their paper

“Comparing Collective Bargaining Agreements for Developing Countries,” *Janna Besamusca* and *Kea Tijdens* employ for the first time the web-based WageIndicator Collective Bargaining Agreement Database for 11 developing countries. They find that few agreements specify wage levels, but almost all collective agreements have clauses on wages. Their study also documents working hours, paid-leave arrangements and work-family arrangements.

The final paper by *Concha Artola*, *Fernando Pinto* and *Pablo de Pedraza* entitled “Can Inter-

net Searches Forecast Tourism Inflows?” represents the large literature on using internet data for forecasting purposes. Employing Google activity data, the authors demonstrate that traditional time-series forecasting models for tourism inflows into Spain can be improved using Google activity measures.

This special issue is of interest to researchers in the evolving field to keep them up to date with the developments of the area, to students who want to examine the potential application of such data to their own research, and

to the wider public that wants to understand what reality will be faced with in a not so distant future.

Nikolaos Askitas,
Klaus F. Zimmermann (eds.)

Special issue:
Using internet activity data

International Journal of Manpower,
2015, 36 (1).

► www.emeraldinsight.com/toc/ijm/36/1



IZA Awarded Three Prizes at ASSA Meeting in Boston

During the annual meeting of the Allied Social Science Associations (ASSA), the world’s largest economist conference with more than 12,000 attendees, IZA traditionally hosts a very popular reception for network members and friends.

Director *Corrado Giulietti* presented the award that was established in 2006.

Haoming Liu (National University of Singapore and IZA) received the 2015 Kuznets Prize. His paper on “The quality–quantity trade-

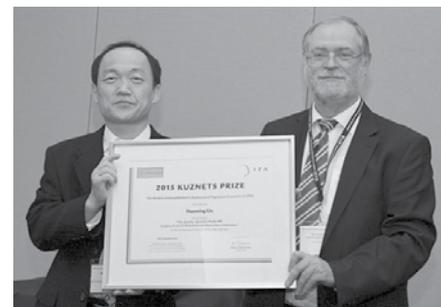
2014 IZA Prize in Labor Economics for his outstanding contributions on the importance of efficient labor markets to fight poverty and foster economic development in low- and middle-income countries (for details see IZA Compact, November 2014). *Ira Gang* (Rutgers



Ira Gang, Gary Fields and Klaus F. Zimmermann



Brian Kovak and Corrado Giulietti



Haoming Liu and Klaus F. Zimmermann

This year the event in Boston on January 4, 2015, featured a “triple prize ceremony”: The IZA Young Labor Economist Award, which honors the best published article in a peer-reviewed journal written by young scholars under 40, was given to *Brian Kovak* (Heinz College, Carnegie Mellon University and IZA), for his paper on “Regional Effects of Trade Reform: What is the Correct Measure of Liberalization?”, published in the *American Economic Review* in 2013. IZA Research

off: evidence from the relaxation of China’s one-child policy” was selected as the best article published in the *Journal of Population Economics* in 2014. IZA Director *Klaus F. Zimmermann*, who is also editor-in-chief of the journal, awarded the prize. This was the first time the Kuznets Prize was presented during the ASSA meeting.

As the final highlight of the event, *Gary S. Fields* (Cornell University and IZA) was awarded the

University and IZA) delivered the laudatory remarks. Worth 50,000 euros, the IZA Prize is regarded as the most prestigious science award in the field.

More information about the respective prizes:

- www.iza.org/prize
- www.iza.org/ylea
- www.popecon.org/?page=1028

New Book: Non-Standard Employment

The number of non-standard employment relationships has not only increased in Germany in the last few years, but has seen a substantial rise in other countries with different labor market structures as well.

A new volume edited by *Werner Eichhorst* (IZA Director of Labor Policy Europe) and *Paul Marx* (University of Southern Denmark and IZA) combines case studies and comparative writing in order to illustrate how and why these alternative occupational employment patterns are formed across a selection of countries.

Non-standard employment has grown significantly in most developed economies, varying between countries. Different institutional settings have been held accountable for this variation, although inadequate consideration has been given to differences within national labor markets.

Through an occupational perspective, the new book contends that patterns of non-standard employment are shaped by flexibility in hiring and firing practices and the dispensability of workers’ skills instead of being completely shaped by macro trends.

The framework integrates explanations based on labor market regulation, industrial relations and skill supply, filling gaps in previous research. Academics in economics and sociology will find this book of great value. Policy makers and practitioners alike will benefit from the comparative analysis of rich empirical material.

Werner Eichhorst, Paul Marx

Non-Standard Employment in Post-Industrial Labour Markets

Edward Elgar Publishing 2015, 464 pages.
ISBN: 1 781 001 715



Does the Digital Revolution Undermine the Social Market Economy?

Symposium of the Ludwig Erhard Foundation in Berlin

In the face of rapid technological change and innovation, there are growing fears that the digital revolution will give rise to monopolies that will threaten the functioning of the social market economy. A symposium titled “Prosperity for All – Social Market Economy in the Era of the Digital Revolution”, organized by the Ludwig Erhard Foundation in cooperation with IZA, discussed this important issue. Moderated by *Roland Tichy* (Chairman of the Ludwig Erhard Foundation), the event took place in Berlin on February 4, 2015.

In his keynote speech, IZA Director *Klaus F. Zimmermann* outlined the challenges the digital revolution imposes on the labor market. “A number of industries and traditional occupational profiles will disappear from the market, while new ones will evolve at the same time,” Zimmermann pointed out. Knowledge will surpass capital as the most relevant factor for economic production. Firms and business models that fail to adapt to the challenges of the digital economy will be left behind. According to Zimmermann, education and qualification in the digital sector will be the key to future competitiveness.

Zimmermann also predicted that economic risks will increasingly shift from firms to the individual, which poses a serious challenge for the social security systems. He urged businesses to invest more in the training of their employees in the digital sector and called for an economic order to “prevent a small number of large corporations from monopolizing tomorrow’s digitalized world with their control over the internet”. Competition policy must face these challenges since the digital economy makes it increasingly difficult to measure and assign the creation of value.

Matt Brittin (President of Google Europe) emphasized the advantages of a digitalized world: Small and medium-sized businesses can offer their products worldwide, allowing them to act as “micro-multinational enterprises”. Consumers would be able to choose between several providers and could easily compare them with one another. He disagreed with the notion that “those who hold the data hold the power”. Brittin compared data to the power of the sun, which can be used by many people at the same time without harming each other. In his opinion, it is of major importance that the offered products and services are user-friendly and that market entry barriers are low.

A more critical view on the subject was expressed by *Andreas Mundt* (President of the Federal Cartel Office). He pointed out that Google’s market share in the internet search business is at 90 percent. Some representatives of the digital economy already view any attempt at competition as doomed to failure. Mundt also warned that the speed at which new business models mushroom globally make them difficult to control, given that anti-trust lawsuits usually take a long time and regulations can cover the internet only partially.

Achim Wambach (Monopoly Commission and Director of IWP Cologne) underscored these concerns: As borders between markets are constantly shifting, the answer to the question “which market is the relevant one?” is increasingly “the global market,” he



Roland Tichy

Klaus F. Zimmermann

contended. Multi-sided markets, network effects and economies of scale, global roll-out within a few years – these are the market trends that foster the rise of monopolies, said Wambach. Even though digital markets are comparatively dynamic in nature, certain platforms aiming at rapid growth achieve dominant positions just like in other markets. Growth without turnover or profit is an entirely new phenomenon. Mergers and acquisitions valued at billions of dollars at a time when the number of users is high but no money has been earned is a new challenge for competition law, said Wambach.

Fabian Nestmann (Head of Uber Germany) represents this new business model: Founded in 2009, the Uber private taxicab service is growing rapidly. Nestmann claimed that Uber attacks existing monopolies and actually has a number of competitors. With reference to the “Red Flag Act” of 1896, requiring cars to be accompanied by a person carrying a red flag to warn the “horse traffic”, he pointed at the traditionally widespread fear of innovation. Nestmann drew an analogy to today’s rental car companies, which are facing stricter legal requirements than companies selling explosives.

Another key topic of the symposium was the impact of the digital revolution on the labor market. Roland Tichy deplores a widespread “cultural pessimism” in Germany referred to Ludwig Erhard’s “academic coup d’etat” that focused on empowering rather than protecting people from innovation.

The current scenarios of job destruction are no reason to be afraid, said *Alexander Sperrmann* (IZA), who called for more optimism in this regard. Human beings are capable of improving their “hard” and “soft” skills up to a high age. But in order to make this happen, labor market and educational institutions must be improved in order to promote and support lifelong learning.

Ulrich Blum (Board member of the Ludwig Erhard Foundation) emphasized the danger that not only the creative entrepreneur but also open society could perish from their own success. There is rarely an opportunity for small businesses because they depend on a longer period of investment before they become profitable. With respect to the current debate on “data retention”, Blum said the powerful digital monopolists go far beyond what any government is doing in terms of collecting, storing and using data. This threatens consumer sovereignty and interferes with the mechanisms of market competition, he contended.

Benjamin Mikfeld (Federal Ministry of Labor and Social Affairs) underscored the dangers of the digital revolution for the labor market, which threatens essential protective rights of the employees. Mikfeld said the state must therefore impose regulations in time – rather than just react to developments that have already taken their toll, which has been common practice in the past.

A “Digital Agenda for Europe” was proposed by *Günther Oettinger* (EU Commissioner for the Digital Economy and Society). Although the digital economy tends to create monopolies, Europe has the potential to stand up to the U.S., said Oettinger. National data protection policies are not the answer to the concerns of eroding data security in Europe. Oettinger called for an all-encompassing digital infrastructure, a European “cloud” service, and a faster regulatory response to establish a counterweight to the currently dominant U.S. corporations.

► www.iza.org/link/LES2015

Interview with the Authors of “Labor Economics”

Authored by IZA Program Director *Pierre Cahuc* with *Stéphane Carcillo* and *André Zylberberg*, “Labor Economics” (MIT Press) has long established itself as the landmark graduate-level textbook that combines depth and breadth of coverage with recent, cutting-edge work in all the major areas of modern labor economics. The second edition, now available, has been substantially updated and augmented. In an interview with IZA Compact, the authors provide some insights into their work:

More than 1,000 pages and lots of supplementary material – looks like a lot of work... What was your main motivation behind this book?

We wanted to provide a comprehensive textbook that could be used both in graduate and introductory classes, with a strong focus on facts, a clear presentation of the main theories and empirical methods. And ten years after the first edition, serious updates were needed.

What are the key improvements over the first edition?

The second edition is more oriented towards empirical methods than the previous one, with dedicated sections in each chapter presenting key econometrics approaches and using a different reference paper each time. A companion website provides the data and the Stata codes necessary to reproduce the main results presented in the book. This second edition also presents theories and evaluations of labor market policies and institutions in more detail, with three dedicated chapters. Important issues, such as discrimination, globalization and the effect of technological progress, are also given more attention.

Did you incorporate any user feedback in the second edition?

We surely did. For instance, discussing with students and colleagues we realized that the first edition of the book was somewhat too arduous and abstract when presenting empirical methods. That is



Pierre Cahuc



Stéphane Carcillo



André Zylberberg

why we decided to explain them in a more concrete manner, using seminal papers and explaining them step by step.

In your view, what are the major trends in labor economics?

The development of empirical methods is probably what has contributed most to changing labor economics over the last decade, and we wanted to reflect this in the book. The identification of causal relationships is often a challenge in social sciences, but the field has developed various strategies that can be useful to other disciplines. This trend is likely to strengthen in the coming years with more and more good quality data becoming available, and also with the spread of a culture of evaluating public policies. The theory is also changing: the understanding of job search behavior, labor mobility and labor market dynamics has made important progress over the last decade. Our book also reflects these advances.

► www.labor-economics.org

Pierre Cahuc, Stéphane Carcillo, André Zylberberg

Labor Economics

MIT Press (2nd edition) 2014, 1080 pages.

ISBN: 978 0 26 202770 0



Interview with the Authors of “Applied Nonparametric Econometrics”



D. J. Henderson

Another new textbook explains the valuable toolkit of nonparametric econometrics to empirical researchers. IZA Compact has interviewed the authors, *Daniel J. Henderson* (University of Alabama and IZA) and *Christopher F. Parmeter* (University of Miami).

Why are nonparametric methods particularly relevant for labor economists?

Labor economists recognize that the impact of a policy is likely heterogeneous across a population. Some individuals may benefit more than others while some may actually be worsened. These differences often result from underlying nonlinearities in the relationships between variables policy makers have control over and the observed outcomes. Typically the underlying relationship is not known to the researcher/policy maker and hence many labor economists are turning to nonparametric methods.

Can you give an example from the real world?

A recent IZA DP (No. 8144) looks at the relationship between child care use by single mothers in the U.S. and their children’s subsequent test scores. The choice of when/whether a woman should return to work is an important question and it is also relevant whether the government should subsidize such care. The use of nonparametric methods here confirms many of the findings in the literature, but as the estimators allow for heterogeneity both across

and within groups, they are able to contradict other findings. Specifically, they show that it is the amount, not the type of child care that matters.

What was your motivation for writing this book?

We believe the majority of empirical research in economics still ignores the potential benefits of nonparametric methods. Applied economists do not necessarily dismiss these methods because they do not like them. We believe a major reason many do not employ them is because they do not understand how to use them. Our book helps bridge the gap between applied economists and nonparametric econometricians/statisticians by teaching the methods in terms that someone with one year of graduate econometrics can understand.

► www.the-smooth-operators.com

Daniel J. Henderson, Christopher F. Parmeter

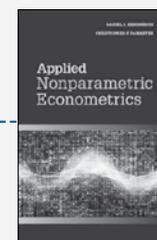
Applied Nonparametric Econometrics

Cambridge University Press 2015, 378 pages.

ISBN: 978-0521279680



C. F. Parmeter





Launched in 2014, **IZA World of Labor** is a unique online platform that provides decision-makers with relevant and succinct information based on sound empirical evidence to help in formulating good policies and best practices. It provides expert know-how on a wide range of labor market issues in an innovative structure, and a clear and accessible style. IZA Compact presents a selection of recent contributions that have attracted international media coverage.

Immigrants and host countries benefit from liberalized access to citizenship

Politicians, the media, and the public express concern that many immigrants fail to integrate economically. Research shows that the option to naturalize has considerable economic benefits for eligible immigrants, even in countries with a tradition of restrictive policies. An article by *Christina Gathmann* published in IZA World of Labor shows that the benefits of naturalization for first-generation immigrants are significant.

Citizenship results in higher wage growth, more stable employment relationships, and increased upward mobility into better-paid occupations and sectors. A better assimilation of immigrants in the labor market in turn also benefits destination countries through fiscal gains and better social cohesion. As such, liberalizing access to citizenship could be a key policy instrument toward improving the rate of economic integration of immigrants in the host country.

Germany is a case in point: In 2000, the country shortened the waiting period for immigrants to become eligible for citizenship from 15 to eight years of residence in Germany. The gains from easier access to citizenship are particularly apparent among immigrants from poorer countries and among women. In contrast to other countries like France, however, acquiring German citizenship seems to have no effect on labor market participation.

Christina Gathmann (University of Heidelberg and IZA)

[Naturalization and citizenship: Who benefits?](#)

IZA World of Labor 2015: 125 (doi: 10.15185/izawol.125).

► <http://wol.iza.org/articles/naturalization-and-citizenship-who-benefits>

Sports and exercise boost labor market performance and earnings

Many public policy campaigns aim at encouraging people to be more physically active. Sports and exercise enhance physical and mental health, as well as soft skills like self-discipline, endurance, stress management, and team work. All of this can also boost an individual's productivity and earnings in the labor market. An IZA World of Labor article by *Michael Lechner* therefore suggests including sports in active labor market programs.

Almost all relevant studies on the topic find a positive correlation between sports and labor market performance. A German study based on SOEP data, for example, finds that men who do sports at least once a week earn five percent more on average than men who do not. Women who were involved in sports at age 15 earn about six percent more later in life. For other countries, similar results apply. The evidence for positive labor market effects of sports and exercise is strong, with earnings effects ranging from about 4 to 17 percent.

It is apparent that increasing the general level of physical activity is likely to boost productivity among employees at all levels. Active

labor market policies should therefore include elements of sports and exercise for unemployed people whose productivity is comparably low and whose participation in these activities is below optimum, in order to increase the re-employment chances for this group.

It is apparent that increasing the general level of physical activity is very likely to boost productivity among employees at all levels. Governments may also want to include among their active labor market policies encouragement of sports and exercise for unemployed people whose productivity is comparably low and whose participation in these activities is below optimum, in order to increase the re-employment chances for this group.

Michael Lechner (University of St. Gallen and IZA)

[Sports, exercise, and labor market outcomes](#)

IZA World of Labor 2015: 126 (doi: 10.15185/izawol.126).

► <http://wol.iza.org/articles/sports-exercise-and-labor-market-outcomes>

Setting policy on asylum: Has the EU got it right?

Asylum policy in Europe has been controversial. Over the last two decades, the EU has been developing a Common European Asylum System, but without clearly identifying the basis for cooperation. Providing a safe haven for refugees can be seen as a public good, which provides the rationale for policy coordination between governments. But where the volume of applications differs widely across countries, policy harmonization is not sufficient, as an IZA World of Labor article by *Timothy J. Hatton* points out.

More than half of asylum applications in Europe since 1989 have been received by three countries: Germany (28%), the UK (12%), and France (11%). But the distribution of asylum claims per capita of the resident population has been quite different, with particularly high rates in Malta and Sweden, and low rates for the Iberian and Baltic countries.

To achieve a more even distribution, one possibility would be to beef up the existing Asylum, Migration and Integration Fund to provide greater compensation to countries that receive a disproportionate number of asylum-seekers. A more realistic option would be to reallocate some proportion of asylum claims across countries. Rather than aiming for exact equalization, claims could be redirected only when the applications to a country exceed a critical threshold.

An alternative would be to introduce tradable admissions quotas, combined with a mechanism to match transferees to receiving countries. Some of the building blocks for a redistribution system are in place, but further centralization of policy is required. While there may be political impediments, public opinion is more supportive than is sometimes believed.

Timothy J. Hatton (University of Essex and IZA)

[Setting policy on asylum: Has the EU got it right?](#)

IZA World of Labor 2015: 124 (doi: 10.15185/izawol.124).

► <http://wol.iza.org/articles/setting-policy-on-asylum-has-eu-got-it-right>

Mental Health in the Workplace

Workplace bullying, mental stress, e-mail overload, job burnout – these are some of the phenomena that characterize the reality of today’s working life in the eyes of many. Whether this is just a fad or a serious problem for the future of our society, it is certainly an important topic to discuss. People’s well-being always deserves attention.

This is not just of concern for philanthropists. Mental health and well-being are also a crucial economic factor. For example, in today’s developed countries, about 40 percent of all sickness cases among people under age 65 are rooted in psychological problems. Mental illness is also responsible for more than one-third of total sick days and the most common cause of health-related early retirement.

Moreover, mental health problems aggravate physical impairments, thus increasing healthcare expenditures for chronic illnesses by more than 30 percent. Consequently, according to conservative estimates, total annual economic costs amount to 3-4 percent of GDP in the European Union. In fact, Lord Layard even estimates the broader social costs at 10 percent of GDP.*

Nonetheless, it is a popular misconception that the number of mental illnesses (such as depression or burnout syndrome) has increased over time. Due to progress in diagnostics and treatment, as well as reduced stigmatization and increased social awareness, mental illnesses are now simply more often diagnosed, treated and discussed. Mental health problems have always been there – but in the past they were often not recognized as such.

This change in perception should be seen in a positive light as it has resulted in a variety of new and improved

treatment options. But still, many patients with mental problems are too often signed off sick by doctors – even though a “time-out” may prove counterproductive. Instead, newer therapeutic approaches rely on early diagnosis, adequate treatment through suitable medication and therapy sessions, and an integration of the illness into the daily (working) life of patients and their environment.

It is therefore essential that individuals with impaired mental health participate in the labor market. Work can be absolutely crucial for successful treatment. Unfortunately, this important insight rarely finds its way into practical therapeutic approaches. The reality of mental health is not as black-and-white – in terms of being either healthy or ill – as it is often seen. In fact, there are many shades of grey in between. Many of us suffer from a (temporary) deterioration of mental health at some point in our lives. Such cases are more widespread than one would think.

What can employers do to help? Good leadership and employee management, including adequate feedback and recognition, positively affects well-being, particularly where mental problems already exist. In contrast, job-related stress forced upon the employee is clearly counterproductive.

The continuing challenge for independent labor market research is to produce scientific studies that systematically document effective and ineffective interventions, with a primary focus on job quality and a balanced challenge for the employee.



* Richard Layard, IZA Journal of Labor Policy, 2013, 2:2



Klaus F. Zimmermann



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