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Research Description

Unemployment duration, and part-time vs. full-time reemployment, and wages (job market paper)

Many studies in the modern empirical literature find that an unemployed worker's future wages and the reemployment probability are negatively associated with the duration of unemployment. Holding everything else equal, a worker with a shorter duration of unemployment has a higher likelihood of finding a job with a higher wage than a worker with a longer duration of unemployment. Assuming that in each unemployment period, the unemployed worker receives at least one wage offer, the worker's strategy follows the reservation wage property and a discrete time hazard framework allows us to more accurately make an inference about the worker's unemployment behavior. However, the propensity of accepting part-time versus full-time work over joblessness spell can be different at any period of time, because observed factors may have dissimilar effects on these alternatives. Therefore, the above negative associations should be analyzed within a competing risks framework. Moreover, the competing risks framework allows us to explore not only differences in part-time and full-time hazards, but also the effect of part-time reemployment on wages. The current labor economics literature has not yet reached a consensus on whether part-time jobs pay substantially lower wages per hour compared with full-time jobs. Finally, if the negative association between the duration of unemployment, and the reemployment probability, and wages are substantial, this fact might imply that anyone who has experienced prolonged unemployment has a higher propensity to have lower starting wages, regardless of their unobserved traits. As a result, a short-term macroeconomic policy which targets unemployment may increase the reemployment probability, and decrease the duration of unemployment, and consequently increase wages in the long run.

The main goals of my research are to estimate the effects of unemployment duration on formerly unemployed workers' wages, to analyze the determinants of part-time versus full-time reemployment, and to measure the impact of part-time versus full-time work on wages. Using the 1996 and 2001 panels of the Survey of Income and Program Participation, I find that for the typical man a one month increase in the duration of unemployment leads to a 0.4% decrease in reemployment wages. In contrast, for the typical woman, I fail to find any effect of unemployment duration on wages. Furthermore, as unemployment progresses, holding everything else equal, part-time reemployment is more likely than full-time reemployment for both genders. In addition, for men, my results show that there is no part-time and full-time wage differential for workers with less than a high school education, and for the same group of women, there exists a positive part-time wage premium. With the exception of women with an advanced degree, for both women and men, I find evidence of the existence of a full-time wage premium for higher levels of education, and the premium increases with the level of education. In this paper, I also simulate a short-term macroeconomic policy for a reduction of the state unemployment rate by 2 percentage points, which would alleviate the

negative effects of prolonged unemployment on men's reemployment and wages. The simulation results show that a reduction in the state unemployment rate decreases the average duration of unemployment, and slightly increases the log of hourly wage rate for men.

Testing the validity of self-reported disability as a measure of true disability(working paper)

The main question of this research is whether self-reported disability is systematically biased relative to the SSA disability measures. In other words, are the self-reported disability measures in surveys conducted by independent organizations reliable? There is no doubt that many individuals may overestimate their disability conditions for the SSA due to rationalization factors. However, Benitez-Silva et al., by introducing the RUR hypothesis, believe that the applicants of the disability programs are fully aware of the SSA's disability criteria and their self-reported disabilities in a non-governmental survey are adjusted by the SSA's disability norm. In this paper, I have tested the RUR hypothesis by revisiting Benitez-Silva et al. (2004). First, I replicated Benitez-Silva et al.'s analysis as accurately as possible and then, using information from the additional three waves of the Health Retirement Study, I make updates to the analysis. The main implications from the non-parametric and parametric tests are that for the majority of individuals' observed characteristics, assuming that the SSA and applicants use the same characteristics in disability determination, the SSA and individuals probably use different weights, which is a direct contradiction to the RUR hypothesis.

The causal relationship between unemployment duration and the worker's health(working paper)

The main goal of this paper is to explore the impact of impaired health on the duration of unemployment. It is a common belief that self-reported health correlates with unobserved factors in the duration of unemployment equation. To solve this endogeneity problem, I propose the empirical model where I jointly estimate the health and duration equations controlling for unobserved worker heterogeneity using a discrete factor method proposed by Mroz and Guilkey(1995) and Mroz (1999). Using the 1996 and 2001 panels of the Survey of Income and Program Participation, I find that for men and women, a worker with impaired health has a significantly longer unemployment spell than a healthy counterpart. Furthermore, the results show that a worker with impaired health more likely ends up with a part-time job.