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Summary

The chapters in this thesis span across topics ranging from labor-, development-, macro- to behavioral economics: in chapter 2, which is joint work with Richard B. Freeman and Remco Oostendorp, we find that wage differentials between skilled and unskilled occupations around the world have followed a U-shaped pattern: they narrowed substantially between the 1950s and 1980s, and then widened from the 1980s through 2000s in most countries despite country differences in levels of income, growth rates, and labor market institutions. The chapter shows that the narrowing was due in part to the huge post-World War II increase in the proportion of educated workers in all countries, while the subsequent widening was due in part to the weakening of trade unions and a shift in demand to more skilled workers associated with rising trade. Thus, supply, demand, and institutional forces have all been drivers of occupational skill differentials, ruling out simple single-factor explanations of change. The chapter concludes with a call for improving the collection of occupational wage data to understand future changes in the world of work.

Chapter 3 zooms in on a particular group of workers, production workers in manufacturing: I show that in the 1950s, the most skilled production workers tended to work in craftsman occupations, some of which commanded wages even rivaling those of white collar workers. However, the demand for manufacturing craftsmen has since decreased in countries of all income groups and regions, following the adoption of more capital intensive production methods. The “skill-biased technological change”-narrative hence does not reflect the experience of many production workers: the market value of *their* skills, often acquired during apprenticeships of several years, tended to decline rather than increase. The findings of this chapter highlight that in a technologically dynamic environment, investments into specific human capital are inherently risky from the point of view of individual workers—an insight that may have increasing relevance also beyond manufacturing for today’s labor markets, as industrial robots and artificial intelligence become more powerful and are expected to render the skills of many workers obsolete.

Chapter 4 provides new evidence on “premature deindustrialization”, the tendency of today’s developing countries to run out of industrialization opportunities at much lower levels of income and manufacturing employment than the countries which industrialized earlier. An analysis of disaggregated occupational employment data reveals that the manufacturing job losses have been concentrated in occupations where employment tends to be unskilled yet formal, and which are considered to be vulnerable to ICT-related automation. Hence, my findings hint at substantial technology transfers to the manufacturing sectors of develop-

ing countries in recent decades, resulting in a structural reduction in their ability to employ unskilled labor more productively than other industries. In summary, my findings on global manufacturing in chapters 3 and 4 suggest that while the displacement of dexterity-intensive craftsmen among manufacturing production workers has been a long-run trend, a more recent feature of manufacturing automation is that it creates fewer “compensating” jobs for unskilled machine operators and laborers, and middle-skilled clerks.

Chapter 5 deviates from the aggregate and “bird’s-eye” perspective of the preceding three chapters: it zooms in on the lives of the smallholder dairy farmers of a cooperative in the highlands near Eldoret in Kenya, and analyzes the role that the monthly milk payments from the cooperative play in their household finances. In a field experiment that I conducted together with Berber Kramer from the International Food Policy Research Institute, we asked them to allocate both their milk income and a one-time gift between an early and a deferred payment date. Puzzling at first sight, we find that a large majority deferred their milk payments while rarely choosing to also defer the gift. Participants’ survey responses suggest that we observe this difference because of mental accounting: participants earmarked their regular milk payments, but not the gift, to save for bulky expenditures. Hence, deferred payments can provide value to smallholder farmers by functioning as a savings device, even when decisions over windfall income would suggest a preference for early payments.

The Tinbergen Institute is the Institute for Economic Research, which was founded in 1987 by the Faculties of Economics and Econometrics of the Erasmus University Rotterdam, University of Amsterdam and VU University Amsterdam. The Institute is named after the late Professor Jan Tinbergen, Dutch Nobel Prize laureate in economics in 1969. The Tinbergen Institute is located in Amsterdam and Rotterdam. The following books recently appeared in the Tinbergen Institute Research Series:

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