

AROUND THE FED

Safety First?

BY CHRISTINA ZAJICEK

“Do Immigrants Work in Riskier Jobs?” Pia M. Orrenius and Madeline Zavodny, Federal Reserve Bank of Dallas Working Paper 0901, January 2009.

In general, past studies have found that non-native workers are not more likely than U.S.-born workers to hold jobs with dangerous conditions. In this paper, economists Pia Orrenius and Madeline Zavodny cite large immigrant flows, a relative decline in immigrants’ skills, and until recently a boom in building construction (a relatively risky profession that employs considerable immigrant labor) as contributing to a rise in hazardous working conditions for immigrants. The authors found an immigrant-native difference in average industry fatality rates of 1.79 deaths per 100,000 workers. Additionally, immigrant women tend to work in environments with significantly higher injury rates than native-born women, while immigrant men often work in industries with higher fatality rates than native-born men.

Poor English language skills are correlated with higher injury and fatality rates. Immigrants also may face limited employment options and, consequently, be more willing to accept riskier occupations. The authors suggest that providing safety training in languages other than English and illustrated safety guidelines may reduce the number of injuries and deaths among immigrant workers.

“Geographic Variations in a Model of Physician Treatment Choice with Social Interactions.” Mary A. Burke, Gary M. Fournier, and Kislaya Prasad, Federal Reserve Bank of Boston Working Paper 09-5, May 2009.

Despite improvements in communication technology, physician treatment choice tends to be relatively uniform within geographic regions, yet quite diverse across regions, leading some observers to argue that national standards for care should be adopted. In this paper, economists Mary Burke of the Boston Fed, Gary Fournier of Florida State University, and Kislaya Prasad of the University of Maryland argue that region-specific patterns of care result from social interactions among physicians.

Physicians may learn and acquire skills from their peers, a phenomenon known as “knowledge spillover.” They may also yield to “conformity pressure” and adhere to local practice norms. Standardization may be harmful if knowledge spillovers are present because certain patients will be deprived of gains from specialization. Conversely, under conformity pressure, there is a tendency to over- or under-utilize some treatments in certain geographic locations, contributing to inefficient care and high costs. The authors

argue that their empirical work, using data from Florida hospitals, “suggest that knowledge spillovers, rather than conformity effects, are the primary source of treatment variations in our data.”

“Financial Visibility and the Decision to Go Private.” Hamid Mehran and Stavros Peristiani, Federal Reserve Bank of New York Staff Report No. 376, June 2009.

Since the mid-1990s, the number of public firms that have delisted and gone private has increased sharply. Hamid Mehran and Stavros Peristiani of the New York Fed investigate the underlying causes of this trend.

Many factors must be considered in the decision to go public or private. Publicly owned firms can access debt and equity markets more easily, a process facilitated by sufficient analyst coverage. However, along with the benefit of increased financial visibility, publicly traded firms also must face the explicit and implicit costs of listing fees, disclosure, and the threat of litigation.

The authors argue that a driving force behind the decision of public firms to go private is a failure to attract a critical mass of analyst coverage and investor interest. This lack of financial visibility can create investor uncertainty and may produce an illiquid stock susceptible to mispricing. At the same time, the company must bear increased regulatory costs and shareholder scrutiny. Therefore, “firms with declining or smaller-than-anticipated analyst coverage, falling institutional ownership, and low stock turnover exhibit a substantially higher probability of going private.”

“How Will Unemployment Fare Following the Recession?” Edward S. Knotek II and Stephen Terry, Federal Reserve Bank of Kansas City *Economic Review*, Third Quarter 2009, pp. 5-33.

Traditionally, employment has rebounded quickly following a severe recession. Will that be the case this time? Edward Knotek and Stephen Terry of the Kansas City Fed argue that unemployment may remain relatively high, even as the economy begins to show other signs of recovery. Changes in the nature of layoffs and the rise of just-in-time labor practices appear to have contributed to “jobless recoveries” following the last two recessions and may contribute to continued weak employment numbers following the current downturn. In addition, this recession coincides with a banking crisis. International evidence suggests that such episodes are associated with high and persistent unemployment rates. **RF**