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Re: Jamie McCasland

Dear Colleagues:

I am very pleased to provide a letter of recommendation on behalf of Jamie McCasland. Jamie is an empirical microeconomist specializing in development economics who is on the market this year from Berkeley. I have known her since her second year in our PhD program, when she took my graduate labor class, and I currently serve as the third reader of her dissertation. I think she is a talented and creative economist with a very innovative research agenda who will be of interest to any department looking in development economics this year.

Jamie's job market paper (co-authored with Morgan Hardy, a grad student at Brown) studies the effects of a new government program introduced in Ghana to reduce frictions in the market for apprentices in the small scale manufacturing sector. Traditionally apprentices in West Africa sign on with a firm owner for two or three years, often paying an up-front bond to the owner, and committing to receive low wages throughout their training period. The idea of the government program was to recruit young workers and interested firms, then offer information sessions to workers about the firms in their area and a subsidy for the up-front bond and the cost of any tools.

In the initial roll-out of the program potential recruits were invited to attend a meeting to learn about different employers, then asked to provide a list of firms they would be willing to join. Each recruit was then randomly allocated to one of the firms on his or her list. From the firms' point of view this process set up a series of lotteries in which the "prizes" were allocations of workers from among the set who expressed interest in the firm (with 30% probability of receiving no workers, on average). Firms were informed that workers would be allocated randomly, and were allowed to specify a maximum number of positions. After the initial assignment Jamie and her co-author conducted two rounds of interviews with the firms, collecting data on whether the recruit(s) had been accepted as apprentices and were still working at the firm, as well as total employment, sales, and profits. The surveys reveal a surprising set of impacts of the allocation program.

First, although the initially intended subsidies for the upfront bond did not materialize, virtually all the firms ended up taking on the recruits they were assigned without requiring any additional payments. Second, firms that were allocated apprentices increased their total employment, with a net gain of about one worker per apprentice hired from the program. Third, firms that were allocated more apprentices had higher sales and profits.

They interpret these findings through the lens of a simple model in which potential apprentices have differing productivity, and the costs of search and initial training for firms are so high that firms would prefer not to hire low-ability workers. In the absence of the new program upfront payments from prospective apprentices serve as a bond, and are set high enough to discourage low-ability workers from applying. Nevertheless firms would be willing to hire more workers without the bond if they could be assured of their quality. They argue that the new program operates as a screening device, screening out low-quality applicants though the opportunity costs of the application process. To test this interpretation they compare the gains in sales and profitability for firms that were (randomly) allocated higher- and lower-ability workers, classified using cognitive tests that were administered to all prospective apprentices. Consistent with the worker heterogeneity story, they find that the gains in revenues and profits were concentrated among firms that received higher ability recruits.

This is a remarkable paper that provides both a rigorous evaluation of the new program and many important new insights about the general nature of labor markets in Ghana and similar countries. It also clearly shows Jamie's strengths in three very different but complementary areas: design and implementation of a complex evaluation; deriving a suitable econometric setup (based on identifying the "lotteries" each prospective employer was in); and developing an appropriate theoretical model to aid in interpreting the findings. I think this combination puts her in a great position to really contribute to the field.

Overall I think that Jamie is an outstanding candidate – comparable to the series of top students from Berkeley in the past few years who are working in development economics but using ideas and tools from labor and public economics. She is an energetic and focused researcher who is also highly adaptive. She has strong facility with both econometrics and applied theory. She is also a very engaging colleague who be a great addition to any department. I recommend her very enthusiastically.

Sincerely,

David Card
Class of 1950 Professor of Economics