Estimating Extensive Margin of Youth Labor Supply[1]

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Abstract

This paper aims to estimate the elasticity of extensive margin of youth labor supply using Japanese data. The formulations of our model of labor force participation explicitly consider the household joint decision of labor supply. The estimation of the model takes the consequent endogeneity of household income into account. Without taking care of the endogeneity of household income, the effect of household income is estimated with downward bias because permanent household income rather than transitory income determines youth labor supply.

The wage elasticity of extensive margin of youth labor force participation is estimated 0.37~0.53. The wage elasticity of extensive margin of female is higher than male.

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