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<p>Tiivistelmä-Referat-Abstract</p> <p>The purpose of this licentiate thesis is to study the theory of the nested multinomial logit model and to apply the model in the analysis of the labour market transitions of ageing unemployed.</p> <p>The nested multinomial logit model is based on the theory of stochastic utility maximisation. According to the theory of stochastic utility maximisation, each type of exit out of unemployment yields a certain amount of utility to an individual. An individual who maximises this utility chooses the type of exit that yields the highest utility. Using a discrete choice model that is based on the theory of stochastic utility maximisation it is possible to estimate the probability with which an individual chooses a particular type of exit from unemployment.</p> <p>The nested multinomial logit model generalises the multinomial logit model by allowing correlation between the random terms related to the utility functions of different exit types. The idea of the model is to divide the exit types into groups so that the types acting as close substitutes to each other belong to the same group. Correlation is allowed between the types that belong to the same group. The model's idea is well suited for empirical findings about ageing people's behaviour in the labour market.</p> <p>The empirical part of the study examines the factors affecting the types of exit from unemployment among the ageing. The main focus is on how economic incentives, like the expected wage or type of unemployment benefit, affect the type of exit. A further theme of interest is the effect of manpower policy measures on the type of exit among the ageing.</p> <p>A multinomial logit model and three different nested multinomial logit models were estimated in the empirical part. The best model turned out to be one where the unemployment pension and manpower policy measures form a group. The implied correlation between unemployment pension and manpower policy measures means that the ageing regard these exit types as substitutes to each other.</p> <p>According to the analysis, economic incentives have a strong impact on the type of exit from unemployment among the ageing. Age at the beginning of a spell of unemployment is also an important explanatory factor. Unemployment pension is the most probable type of exit among those aged 56 or more at the beginning of a spell of unemployment. The most probable type of exit among people aged 49 to 55 at the beginning of an unemployment spell varies according to their type of unemployment benefit. Manpower policy measures are the most probable type of exit among those on earnings-related unemployment benefit. With those on basic unemployment benefit, the most probable type of exit is employment. According to the analysis, manpower policy measures prior to the spell of unemployment do not affect the probability of becoming employed.</p> <p>References:</p> <p>McFadden, D. (1978). Modeling the choice of residential location. In A. Karlquist, L. Lundqvist, F. Snickars & J. Weibull (eds.) Spatial interaction theory and residential location. Amsterdam: North-Holland, 75-96.</p> <p>Koppelman, F. & Wen, C. (1998). Alternative nested logit models: structure, properties and estimation. Transportation Research B 32 (5), 289-298.</p>			
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