**Economics 140**

# LABOR ECONOMICS

**Tuesday and Thursday 9:00 – 10:15 a.m**

**Kollig 217**

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| **CONTACT INFORMATION** | |
| *Instructor:* | Professor Rowena Gray |
| *Office:* | 386 COB |
| *Email:* | rgray6@ucmerced.edu |
| *Office Hours:* | Tuesday 10:30 – 11:30 a.m.  Wednesday 1:00 – 2:00 p.m.  Or by appointment if unable to attend during scheduled hours |
| *Course Website:* | I will use UCM Crops to post materials for class. You are responsible for all announcements, assignments, and readings posted on the site. |

### COURSE DESCRIPTION

This course will cover the following topics:

1. Labor Supply Theory
2. Labor Demand Theory
3. Determination of Wages and Employment in the Labor Market
4. Education and Earnings
5. The Wage Structure
6. Unemployment
7. Labor Market Discrimination
8. If time: Labor Mobility, Unions

Each of these topics has received considerable attention in both the popular press and in the

economics profession. Despite much research, many of the questions sparked by these topics do not have a consensus answer.

The course is designed to familiarize you with these important questions in labor economics.

The course will cover basic institutional background and statistics on each issue, and develop

economic models important to evaluation of the questions. The most important goal is to

facilitate you in learning to think critically about these and other economic topics that get public attention and to apply economic theory and concepts in an effort to systematically answer these questions. In order to evaluate the questions you need to be able to rely on your own ability to get the facts. At the end of the course I hope that you will have developed the skills necessary to find unbiased answers to public policy questions.

**LEARNING OUTCOMES**

1. Learn the theory of labor demand and supply and be able to apply those concepts to the analysis of real-world policy changes.
2. Learn core empirical methodologies used by applied microeconomists, with a view to critically evaluating academic papers.

**COURSE PREREQUISITES**

The prerequisite for this course is Intermediate Microeconomics (Economics 100). In presentation and testing of the course material, I will assume that you have background in algebra, calculus, and statistics, which are required courses for the economics major. You should have passed all of these courses with a grade of C- or higher.

### READINGS

I encourage you to read the newspaper or a periodical to keep up-to-date on current events.

*Required text:* George J. Borjas, *Labor Economics* (Sixth Edition), Irwin McGraw-Hill. Previous editions should be acceptable.

*Further Reading*: Additional compulsory readings will be posted on UCM Crops. You may also like to consult a second textbook: Ehrenberg and Smith, *Modern Labor Economics* (Addison Wesley) which covers much of the same material as Borjas.

All readings are required unless otherwise stated.

**GRADING**

Your grade in this course will be determined by your performance in the following four elements.

###### *Distribution of Points:*

Your final grade in the course will be determined by the following:

15% Problem Sets (3)

20% Group Presentation and Write-up—grade will be 10% individual, 10% group performance

25% Midterm Tuesday, March 3rd in class

40% Final Exam Tuesday, May 12th 3:00 – 6:00 p.m. Kollig 217

No extra credit will be given. No exceptions.

###### *Exam and Re-grade Policy:*

There will be no make-up exams. If you know now that you are unable to take the exams on the above dates you will need to drop the class.

If an administrative error has been made in calculating your grade (such as an arithmetic error in adding up your score) no re-grade request need be submitted. Merely bring the error to my attention so that I can correct it. If you desire an exam re-grade, please adhere to the following procedure:

• Submit, *in person during office hours or after lecture*, a *written* request for the re-grade *within one week* of receiving your graded exam.

• In your written request, enumerate questions deserving special attention in my second reading of your exam and why such questions deserve special attention.

• Attach the original version of your exam to this written statement.

Please note that your *entire exam* will be reviewed. That is, if some of your answers are revealed lacking (in content, in clarity, etc.) upon my second reading, you may end up losing points. Re-graded exams will be returned, at the latest, two weeks after the initial return of the examinations. It is very unlikely that any change will be made to grades because if is fairest to grade all exams immediately after the exam to ensure consistency across students.

**Cheating of any kind will not be tolerated in this class. While I encourage students to work together on assignments, each person must turn in an individual assignment with their own work and writing. If I suspect that a student is cheating, I will submit the case to Student Judicial Affairs. Students found cheating in the class will receive an F.**

Problem Sets

There will be three problem sets assigned throughout the semester. They must be turned in by the beginning of class on their due dates. Late assignments will automatically receive the lowest grade. Answers will be posted within 24 hours of the due date. Assignments will be graded on a✔,✔+ and ✔- basis. This will correspond in grading to 100% for a ✔+; 85% for a ✔; 75% for a ✔- and 0% for not turning in anything. Students may collaborate with others on the problem sets, but must turn in their own work. Students that turn in identical or unnaturally similar work will receive no credit for the assignment.

Group Presentation and Write-Up

I have included a presentation element because working as part of a team and the ability to understand, synthesize and present information to others is a key skill for the workplace. Each group will present an academic paper from an approved list set out below (and all available on UCM Crops). You should form groups of four in the first weeks of the term and notify me which paper your group will present (anybody joining the class later should contact me and will be assigned to a group) by the end of lecture on February 3rd. The finalized schedule for presentations will then become available.

Each group will have 20 minutes in which to present, with an additional 5 minutes for questions and discussion. Presentations should incorporate some form of visual aid (I recommend Powerpoint) and each group is responsible for ensuring ahead of time that they bring the correctly formatted files that will function in our allotted classroom. A minimum of 2 group members must talk during the 20 minutes, and questions should then be fielded in the first place by any remaining members who have not yet spoken. The group’s performance will be evaluated based on the clarity of both the visual and spoken presentations as well as the ability to cover all details regarding the paper, including the main message, the methodology and data used and the main contributions of the paper in the context of our course. You should pay particular attention to how the paper fits in with the theory and methodologies we’ve learned in the course and to evaluating the paper critically. Presentations should reference other research relevant to the chosen topic.

Each student’s grade will be formed 50% of the group’s performance and 50% of their performance in a 1-page individual write-up of the paper, explaining its meaning using the same categories outlined above. The write-up must therefore very much be your own work and should not be written collaboratively with your group members. Anybody turning in write-ups that are too similar will be punished accordingly. During each presentation the audience will be asked to fill out a feedback sheet—your individual grade will be reduced if you fail to turn in a feedback sheet for each presentation. All papers on the list below are highly relevant to the course and therefore attendance and participation at your classmates’ presentations is very useful for your success in the course.

**Papers for Presentations**

*Labor Supply:*

1. Oettinger, Gerald S. (1999) “An Empirical Analysis of the Daily Labor Supply of Stadium Vendors” *Journal of Political Economy*, Vol. 107, No. 2: 360-392.
2. Camerer, Colin, Linda Babcock, George Loewenstein and Richard Thaler (1997) “Labor Supply of New York City Cabdrivers: One Day at a Time” *Quarterly Journal of Economics*, Vol. 112, No. 2: 407-441.
3. Eissa, Nada (1995) “Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment” NBER Working Paper 5023.

*Labor Demand:*

1. Crepon, Bruno and Francis Kramarz (2002) “Employed 40 Hours or Not-Employed 39: Lessons from the 1982 Mandatory Reduction of the Workweek” *Journal of Political Economy*, Vol. 110: 1355-1389.

*Labor Market Equilibrium (Immigration):*

1. Hunt, Jennifer (1992) “The Impact of the 1962 Repatriates from Algeria on the French Labor Market” *Industrial and Labor Relations Review*, Vol. 45, No. 3: 556-572.
2. Abramitzky, Ran, Leah Platt Boustan and Katherine Eriksson (2012) “Europe’s Tired, Poor, Huddled Masses: Self-Selection and Economic Outcomes in the Age of Mass Migration” *American Economic Review*, Vol. 102, No. 5: 1832-1856.

*Education*:

7. Angrist, Joshua D. and Alan B. Krueger (1991) “Does Compulsory School Attendance Affect Schooling and Earnings” *Quarterly Journal of Economics*, Vol. 106, No. 4: 979-1014.

8. Duflo, Esther (2001) “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment” *American Economic Review*, Vol. 91, No. 4: 975-813.

*Wage Structure and Inequality:*

9. Goos, Maarten and Alan Manning (2007) “Lousy and Lovely Jobs: The Rising Polarization of Work in Britain” *Review of Economics and Statistics*, Vol. 89, No. 1: 118-133.

**Class Participation**

Because many of the questions dealt with in this course have no “right” answer, we can all

learn from class discussion. Students are encouraged to be active participants in your education and come to class ready to discuss the readings and to ask questions.

**Attendance and Class Rules**

Attendance at lectures is optional. You are responsible for all material covered and announcements made during class. Students that choose to attend class must be respectful. I ask that students show up on time and stay for the entirety of the lecture. I highly discourage using laptops to take notes. If you must take notes electronically, please talk to me during the first week. Otherwise, laptops, tablets, cell phones, or other items with “screens” are not allowed in class.

Additional Note

If you have a physical disability, any difficulty with the English language, or other special needs that are relevant to your success in this class please see me early in the semester. I will help you to access any extra resources that you are entitled to.Also contact Disability Services at (209) 228-7884 as soon as possible to become registered and thereby ensure that any accommodations needed are implemented in a timely fashion.

### By remaining enrolled in this course, you agree to all rules stated in the syllabus. I reserve the right to change assignments, due dates, and rules, but will provide at least one week’s notice to students. COURSE TIMETABLE

(Note: readings with a \* are considered optional, all other readings are compulsory. Extra readings on UCM Crops are helpful, but can be considered optional)

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| **Introduction**  1/20/15  **NOTE: Lecture on 1/22/15 is cancelled** | Borjas, Chapter 1 & Appendix  Additional Reading:   * **Claudia Goldin (1994)** “Labor Markets in the Twentieth Century” NBER Working Paper 58. * \***Daron Acemoglu (2012)** “The World our Grandchildren will Inherit: The Rights Revolution and Beyond” NBER Working Paper 17994. |
| Topic 1: Labor Supply Theory 1/27/15-2/5/15  **NOTES:**  **Deadline notify me of groups 2/3/15**  **Problem Set 1 due 2/10/15** | Borjas, Chapter 2  Additional Reading:   * **Guido W. Imbens, Donald B. Rubin and Bruce Sacerdote (2001)** “Estimating the Effect of Unearned Income on Labor Supply, Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players” *American Economic Review*, Vol. 91: 778-794. * **Bruce D. Meyer and Dan T. Rosenbaum (2000)** “Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects” *National Tax Journal*, Vol. 53, No. 4: 1027-1062. |
| Topic 2: Labor Demand Theory 2/10/15-2/12/15 | Borjas, Chapter 3  Additional Reading:   * **David Card and Alan B. Krueger (1994)**   “Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania” *American Economic Review*, Vol. 84, No. 4: 772-792. |
| Topic 3: Determination of Wages and Employment in the Labor Market 2/17/15-2/24/15  NOTE: PS 2 due 2/24/15 | Borjas, Chapter 4  Additional Reading:   * **David Card (1990)**   “The Impact of the Mariel Boatlift on the Miami Labor Market” *Industrial and Labor Relations Review*, Vol. 43, No. 2: 245-257. |
| **Midterm** | Review on 2/26/15 (see questions posted on CROPS)  Midterm in class on 3/3/15 covering Introduction plus Topics 1-3 |
| **Topic 4: Education and Earnings**  3/5/15-3/19/15 | Borjas, Chapter 6  Additional Reading:   * **Orley Ashenfelter and Alan Krueger (1994)**   “Estimates of the Economic Return to Schooling for a New Sample of Twins” *American Economic Review*, Vol. 84, No. 5: 1157-1173.   * **John Tyler, Richard Murnane, and John Willett (2000)**   “Estimating the Labor Market Signaling Value of the GED” *Quarterly Journal of Economics*, Vol. 115: 431-468.  **PS3 will be due on 4/2/2015** |
| **Topic 5: The Wage Structure**  3/31/15-4/7/15  4/9/15-4/16/15 | Borjas, Chapter 7  Additional Reading:   * **\*Alan B. Krueger (2005)**   “The Economics of Real Superstars: The Market for Rock Concerts in the Material World” *Journal of Labor Economics*, Vol. 23, No. 1: 1-30.   * **Jerry A. Hausman and Gregory K. Leonard (1997)**   “Superstars in the National Basketball Association: Economic Value and Policy” *Journal of Labor Economics*, Vol. 15, No. 4: 586-624.  **CLASS PRESENTATIONS** |
| **Topic 6: Unemployment**  4/21/15 | Borjas, Chapter 12  Additional Reading:   * **Alan B. Krueger and Andreas Mueller (2008)**   “Job Search and Unemployment Insurance: New Evidence from Time Use Data” Discussion Paper 3667, IZA. |
| **Topic 7:**  **Non-Competitive Markets**  4/23/15 | Borjas, Chapter 4 |
| **Topic 8:**  **Compensating Wage Differentials**  4/28/15-4/30/15 | Borjas, Chapter 5 |
| **Review for Final Exam: May 5th & May 7th**  **FINAL EXAM (Comprehensive): Tuesday, May 12th 3:00 – 6:00 pm** | |

**Potential Sources for Supplementary Reading for Presentations & Write-Ups:**

You should search for articles similar to your assigned topic on JSTOR; Google Scholar; look at the bibliography of the assigned paper & the papers listed here on the syllabus.