

Labor Economics

Course Description:

This course is the first course in labor economics. The major topics covered are: labor supply, labor demand, minimum wages, immigration, Roy model, equalizing differences, wage structure and inequality. Human capital, race and gender wage differentials will be covered in different courses.

Course Requirements:

The requirements are one exam (40%), paper proposal (40%), and class participation (20%). The syllabus contains two types of readings. Readings marked with an asterisk (*) will be emphasized in lectures. Readings marked with (+) are topical papers that will be used for in-class discussions. Many of the readings are available through JSTOR. Those that are not will be made available. Many of the readings are in the *Handbook of Labor Economics* (vol. 1&2), O. Ashenfelter and R. Layard eds., 1986 and three volumes, (vol 3A-3C), O. Ashenfelter and D. Card, eds., 1999, and 2 new volumes, O. Ashenfelter and D. Card, eds. 2010. I was able to access the later handbooks from the following UH library link.

<http://site.ebrary.com.ezproxy.lib.uh.edu/lib/uhmain/docDetail.action?docID=10178513>

The undergraduate text *Labor Economics* by George Borjas, and graduate labor text book, *Labor Economics*, by Pierre Cahuc and Andre Zylberberg, may also prove useful. In addition, I will be referring to methods used in empirical papers which are covered in depth in the following papers and books.

Angrist, Joshua and Krueger, Alan. "Empirical Strategies in Labor Economics." In *Handbook of Labor Economics*. Orley Ashenfelter and David Card, eds. North Holland, 1999, Volume 3A.

Angrist, Joshua and Jorn-Steffen Pischke. Mostly Harmless Econometrics. Princeton University Press, 2009.

DiNardo, John and David S. Lee. "Program Evaluation and Research Designs." NBER WP 16016, *Handbook of Labor Economics*, David Card, eds. North-Holland, 2010. Volume 4A.

Lee, David and Thomas Lemieux, "Regression Discontinuity Designs in Economics." *Journal of Economic Literature*. June 2010.

(1) Exam- scheduled for April 10, 2017. The exam will be in-class and will test your knowledge of the materials covered in class lectures and highlighted readings.

(2) Paper Proposal – The goal is to develop the beginnings of an empirical project by the end of the course. The proposal should be approximately 8-10 pages and should include a literature review and proposed research project including the main hypothesis, description of the data that will be used, and the empirical strategy. Students should schedule appointments with me to discuss their ideas starting the week of February 27th. The proposal will be due on the last day of class, May 1, 2017. More explicit guidelines will be provided.

(3) Class Participation – The readings marked with (+) will be used for class-room discussions. Students are expected to read the papers ahead of time and be prepared to be active participants in class. As part of the class participation grade, students will rotate in leading discussions of these papers.

I. Labor Supply

1.Theory and Background

* Pencavel, John. "Labor Supply of Men: A Survey." In *Handbook of Labor Economics*. Orley Ashenfelter and Richard Layard, eds. North-Holland, 1986. Volume 1.

Blundell, Richard and Thomas MaCurdy. "A Review of Alternative Approaches." In Handbook of Labor Economics, Orley Ashenfelter and David Card, eds. North-Holland, 1999. Volume 3A.

2. Estimation Issues and Strategies

- * Juhn, C., Murphy, K., Robert Topel, "Why Has the Natural Rate of Unemployment Increased over Time?" *Brookings Papers on Economic Activity*, 1991.

Juhn, Chinhui, "The Decline of Male Labor Market Participation: The Role of Market Opportunities." *Quarterly Journal of Economics*. February 1992

Borjas, G., "The Relationship Between Wages and Weekly Hours of Work: The Role of Division Bias," *Journal of Human Resources*. Summer 1980.

French, Eric, and Chris Taber, "Identification of Models of the Labor Market," Handbook of Labor Economics, David Card, eds. North-Holland, 2010. Volume 4A.

Heckman, James J. "Sample Selection Bias as a Specification Error." *Econometrica*. January 1979.

Angrist, Joshua. "Grouped-Data Estimation and Testing in Simple Labor Supply Models." *Journal of Econometrics*. February, 1991.

Blundell, Richard, Alan Duncan, and Costas Meghir. "Estimation of Labour Supply Responses using Tax Policy Reforms." *Econometrica* 1998.

MaCurdy, Thomas. "An Empirical Model of Labor Supply in a Life Cycle Setting." *Journal of Political Economy*. December 1981.

Welch, F. "Wage and Participation." *Journal of Labor Economics*. January, 1997.

3. Behavioral Anomalies and Other Topics in Male Labor Supply

- * Camerer, C., L. Babcock, G. Loewenstein, and R. Thaler. "Labor Supply of New York City Cabdrivers: One Day at a Time," *Quarterly Journal of Economics*, May 1997.

Farber, H. "Is Tomorrow Another Day? The Labor Supply of New York Cab Drivers." *Journal of Political Economy*, 2005.

Farber, H. "Reference-Dependent Preferences and Labor Supply: The Case of New York City Taxi Drivers." *American Economic Review*, 2008.

Fehr, E. and L. Gotte. "Do Workers Work More when Wages are High?" IZA working paper, No.1002, January 2004.

Oettinger, G. "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors." *Journal of Political Economy*, April 1999.
- + Council of Economic Advisers. "The Long-term Decline in Prime-age Male Labor Force Participation." June 2016.
- + Aguiar, M., Bilal, Mark, K. Charles, and E. Hurst. "Leisure Luxuries and the Labor Supply of Young Men," working paper, September 2016.

- + Agan, Amanda, and Sonja Starr. “Ban the Box, Criminal Records, and Statistical Discrimination: A Field Experiment,” working paper, June 2016.
- + Hall, J, and Alan Krueger, “An Analysis of the Labor Market for Uber's Driver-Partners in the United States,” NBER Working Paper No. 22843, November 2016.

4. Female and Family Labor Supply

- * Juhn, Chinhui and Kevin M. Murphy. “Wage Inequality and Family Labor Supply.” *Journal of Labor Economics*. January 1997.
 - * Eissa, Nada. “Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment.” NBER working paper No.5023, February 1995.
 - * Gelber, Alex. “Taxation and the Earnings of Husbands and Wives.” *Review of Economics and Statistics*, May 2014.
- Blau, Francine and Lawrence Kahn. “Changes in the Labor Supply Behavior of Married Women: 1980-2000.” *Journal of Labor Economics*. July 2007.
- Devereux, Paul “Changes in Relative Wages and Family Labor Supply” *Journal of Human Resources*. Summer 2004.
- Heim, Bradley. “The Incredible Shrinking Elasticities: Married Female Labor Supply, 1978–2002.” *Journal of Human Resources*. Fall 2007.
- Hyslop Dean. “Rising U.S. Earnings Inequality and Family Labor Supply: The Covariance Structure of Intrafamily Earnings.” *American Economic Review*, September 2001.
- Pencavel, John. “The Market Work Behavior and Wages of Women: 1975-1994.” *Journal of Human Resources*. Fall 1998.

5. Policy and Labor Supply: Disability Insurance, EITC, Taxes, Health Insurance

- Autor, D. and M. Duggan. “The Rise in Disability Roles and Declines in Unemployment.” *Quarterly Journal of Economics*, February 2003.
- Bound, John, “The Health and Earnings of Rejected Disability Insurance Applicants. *American Economic Review*, June 1989.
- Maestas, Nicole, Kathleen Mullen and Alexander Strand. “Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt.” *American Economic Review*, forthcoming
- Von Wachter, Till, Manchester, Joyce, and Jae Song. “Trends in Employment and Earnings of Allowed and Rejected Applicants to the Social Security Disability Insurance Program.” *American Economic Review*, forthcoming.
- Eissa, Nada and Jeff Liebman. “Labor Supply Response to the Earned Income Tax Credit.” *Quarterly Journal of Economics*, May 1996.
- Hoynes, Hilary and Diane Schanzenback. “Work Incentives and the Food Stamp Program.” *Journal of Public Economics*. February 2012.

Meyer, B. and D. Rosenbaum. "Welfare, the Earned Income Tax Credit, and the Labor Supply of Single Mothers." *Quarterly Journal of Economics*, August 2001.

Gruber, Jon, and Emmanuel Saez. "The Elasticity of Taxable Income: Evidence and Implications." *Journal of Public Economics*, 2002.

Saez, Emmanuel, Slemrod, Joel and Seth Giertz. "The Elasticity of Taxable Income with Respect to Marginal Tax Rates: A Critical Review." *Journal of Economic Literature*. March 2012.

Keane, Michael. "Labor Supply and Taxes: A Survey." *Journal of Economic Literature*. December 2011.

Moffitt, Robert. "The Econometrics of Kinked Budget Constraints." *The Journal of Economic Perspectives*, Spring 1990.

Saez, Emmanuel. "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy*. August 2010.

Madrian, Brigitte. "Employment-Based Health Insurance and Job Mobility: Is There Evidence of Job-Lock?" *Quarterly Journal of Economics*, February 1994.

Craig Garthwaite, Tal Gross and Matthew J. Notowidigdo. "Public Health Insurance, Labor Supply, and Employment Lock," *The Quarterly Journal of Economics*, 2014

Dague, Laura, Thomas DeLeire, and Lindsey Leininger, "The Effect of Public Insurance Coverage for Childless Adults on Labor Supply," Forthcoming, *American Economic Journal: Economic Policy*.

+ Moffitt, Robert and G. Kosar. "Trends in Cumulative Marginal Tax Rates Facing Low Income Families, 1997-2007" NBER working paper 22782, October 2016.

II. Labor Demand

1. Background

* Hamermesh, Daniel. "The Demand for Labor in the Long Run." In *Handbook of Labor Economics*. Orley Ashenfelter and Richard Layard, eds. North Holland, 1986. Volume 1.

Hamermesh, Daniel and Steve. Trejo. "The Demand for Hours: Direct Evidence from California," *Review of Economics and Statistics*, February 2000.

Katz, L. "Wage Subsidies for the Disadvantaged," in R. Freeman and P. Gottschalk, eds. *Generating Jobs*, Russell Sage Foundation, 1998.

Acemoglu, D., Autor, D., and D. Lyle, "Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Midcentury," *Journal of Political Economy* June 2004.

2. Application: Minimum Wages

* Card, David and Alan Krueger. "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania." *American Economic Review*. September 1994.

* Dube, Arindrajit, Lester, T. William, and Michael Reich. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties." *Review of Economics and Statistics*. November, 2010.

Brown, Charles. "Minimum Wages, Employment and the Distribution of Income" In Handbook of Labor Economics. Orley Ashenfelter and David Card, eds. North Holland, 1999. Volume 3B.

Card, David. "Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage." *Industrial and Labor Relations Review*, 1992.

- + Rubinstein, Y. and Yusuf Baskaya. "Using Federal Minimum Wages to Identify the Impact of Minimum Wages on Employment and Earnings Across the U.S. States." LSE Working Paper. October, 2011.

Staiger, D. , Spetz, J. and C. Phibbs. "Is There Monopsony in the Labor Market? Evidence from a Natural Experiment," *Journal of Labor Economics* 2010.

- + The Seattle Minimum Wage Study Team. "Report on the Impact of Seattle's Minimum Wage: Ordinance on Wages, Workers, Jobs, and Establishments through 2015." University of Washington, July 2016.
https://evans.uw.edu/sites/default/files/MinWageReport-July2016_Final.pdf

3. Application: Immigration

- * Card, David. "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review*. January 1990.

- * Borjas, George. "The Labor Demand Curve is Downward Sloping: Re-Examining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economics*, November 2003.

- * Card, David. "Immigration and Inequality." *American Economic Review*, May 2009.

- * Ottaviano, G. and G. Peri. "Rethinking the Effect of Immigration on Wages," *Journal of the European Economic Association* February, 2012.

Cortes, Patricia and Jose Tessada, "Low-skilled Immigration and the Labor Supply of Highly Skilled Women," *American Economic Journal: Applied Economics*, July 2011.

Dustmann, C., U. Schönberg, and J. Stuhler. "The Impact of Immigration: Why Do Studies Reach Such Different Results?" *Journal of Economic Perspectives*, Fall 2016.

Dustmann, C., T. Frattini, and I. Preston. "The Effect of Immigration along the Distribution of Wages," *Review of Economic Studies*, January 2013.

Friedberg, Rachel. "The Impact of Mass Migration on the Israeli Labor Market." *Quarterly Journal of Economics*. November 2001.

Lewis, Ethan. "Immigration, Skill Mix, and Capital-Skill Complementarity," *Quarterly Journal of Economics*, forthcoming.

Hunt, Jennifer and Marjolaine Gauthier-Loiselle. "How Much Does Immigration Boost Innovation?" *American Economic Journal: Macroeconomics*. April 2010.

Kerr, William R., and William F. Lincoln. "The Supply Side of Innovation: H-1B Visa Reforms and U.S. Ethnic Invention." *Journal of Labor Economics*. July 2010.

Manacorda, M., A. Manning, and J. Wadsworth. "The impact of immigration on the structure of wages: theory and evidence from Britain" *Journal of the European Economic Association*. Oct, 2011

- + Doran, Kirk, Gelber, Alex, and Adam Isen. “The Effects of High-Skilled Immigration Policy on Firms: Evidence from Visa Lotteries” Working Paper, February 2016.
- + Clemens, M., Lewis, Ethan, and H. Postel, “Immigration Restrictions as Active Labor Market Policy: Evidence from the Mexican Bracero Exclusion,” NBER Working Paper 23125, February 2017.
- + Peri, Giovanni, Kevin Shih, and Chad Sparber. “STEM Workers, H-1B Visas, and Productivity in US Cities.” *Journal of Labor Economics* 2015.

III. Self-Selection: The Roy Model

1. Immigrant Selection

- * Roy, A. “Some Thoughts on the Distribution of Earnings.” *Oxford Economic Papers*. 1951.
- * Borjas, George. “Self-Selection and the Earnings of Immigrants.” *American Economic Review*, September 1987.
- * Chiquiar, Daniel and Gordon Hanson. “International Migration, Self-Selection and the Distribution of Wages.” *Journal of Political Economy*. April 2005.
- Willis, Robert and Sherwin Rosen. “Education and Self-Selection.” *Journal of Political Economy*. 1987.
- Mulligan, C., and Yona Rubinstein, “Selection, Investment, and Women's Relative Wages Over Time,” *Quarterly Journal of Economics*, August 2008.
- + Fernandez-Huertas Moraga, Jesus. “New Evidence on Emigrant Selection.” *Review of Economics and Statistics*. February 2011.

2. More Immigration

- Borjas, George J. “Assimilation, Changes in Cohort Quality, and the Earnings of Immigrants.” *Journal of Labor Economics*. 1985.
- Borjas, George. “The Slowdown in the Economic Assimilation of Immigrants: Aging and Cohort Effects Revisited Again.” NBER Working Paper No. 19116. June 2013.
- Abramitzky, Ram, Boustan, Leah and K. Eriksson. “Europe’s Tired, Poor, Huddled Masses: Self-Selection and Economic Outcomes in the Age of Mass Migration.” *American Economic Review*. August 2012.
- Cobb Clark, Deborah, and Sherrie Kossoudji. “Coming Out of the Shadows: Learning about Legal Status and Wages From the Legalized Population.” *Journal of Labor Economics*. July 2002.
- Lubotsky, Darren. “Chutes or Ladders? A Longitudinal Analysis of Immigrant Earnings.” *Journal of Political Economy*. October 2007.

IV. Equalizing Differences

1. Background

- * Rosen, Sherwin. “The Theory of Equalizing Differences.” In *Handbook of Labor Economics*. Orley

Ashenfelter and Richard Layard, eds. North-Holland, 1986. Volume 1.

2. Empirical Estimates and Applications

- * Summers, Lawrence. "Some Simple Economics of Mandated Benefits." *American Economic Review Papers and Proceedings*, May 1989.
- * Gruber, J. "The Incidence of Mandated Maternity Benefits." *American Economic Review*. June, 1994.
- * Brown, Charles. "Equalizing Differences in the Labor Market," *Quarterly Journal of Economics*, February, 1980.
- Kolstad, Jonathan and Amanda Kowalski. "Mandate-Based Health Reform and the labor Market: Evidence from the Massachusetts Reform." Working paper, 2012.
- Murphy, Kevin and Robert Topel. "Unemployment, Risk, and Earnings: Testing for Equalizing Differences in the Labor Market," in K. Lang and J. Leonard eds., *Unemployment and the Structure of Labor Markets*. New York: B. Blackwell. 1987.
- Goldin, C. and L. Katz. "The Cost of Workplace Flexibility for High-Powered Professionals," *Annals AAPS*, November, 2011.
- Goldin, C. and L. Katz. "A Most Egalitarian Profession: Pharmacy and the Evolution of a Family-Friendly Occupation," *Journal of Labor Economics*, 2016.
- + Cortes, Patricia and Jessica Pan. "When Time Binds: Returns to Working Long Hours and the Gender Wage Gap," Working Paper, August 2016.

V. Wage Structure and Wage Inequality

1. Trends and Facts

- * Acemoglu, Daron, and Davi Autor. "Skills, Tasks, and Technologies: Implications for Employment and Earnings." In *Handbook of Labor Economics*. Orley Ashenfelter and David Card, eds. North Holland, Volume 4, 2011.
- * Autor, David, Katz, L, and M. Kearney. "Trends in U.S. Wage Inequality: Revising the Revisionists." *Review of Economics and Statistics*, May 2008.
- * Autor, D. "Skills, Education, and the Rise of Earnings Inequality among the Other 99 Percent," *Science* May 2014.
- Goldin, Claudia, and Robert A. Margo, "The Great Compression: The Wage Structure in the United States in Mid-Century," *Quarterly Journal of Economics*, February, 1992.
- Piketty, Thomas and Emmanuel Saez. "Income Inequality in the United States, 1913-1998." *Quarterly Journal of Economics*, 2003.

2. Wage Decompositions

- * Juhn, Chinhui, Kevin M. Murphy, and Brooks Pierce. "Wage Inequality and the Rise in the Returns to Skill." *Journal of Political Economy*. June 1993.

DiNardo, John, Nicole Fortin and Thomas Lemieux. "Labor Market Institutions and the Distribution of Wages, 1973-1992: A Semiparametric Approach." *Econometrica*. September, 1996.

Fortin, Nicole, Thomas Lemieux, and Sergio Firpo, "Decomposition Methods in Economics." In *Handbook of Labor Economics*, David Card, eds. North-Holland, 2010. Volume 4A.

3. Supply- Demand Framework

- * Katz, Lawrence F. and Kevin M. Murphy. "Changes in Relative Wages 1963-1987: Supply and Demand Factors." *Quarterly Journal of Economics*. February 1992.

Card, David and John DiNardo. "Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles." *Journal of Labor Economics*, 2002.

Card, David, and T. Lemieux. "Can Falling Supply Explain the Rising Return to College for Younger Men?" *Quarterly Journal of Economics*, May 2001.

4. Trade and Immigration

- * Autor, D., D. Dorn, and G. Hanson. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review* 2013.

- * Berman, Eli, John Bound, and Zvi Griliches. "Changes in the Demand for Skilled Labor within U.S. Manufacturing Industries: Evidence from the Annual Survey of Manufacturing." *Quarterly Journal of Economics*. May 1994.

- * Borjas, George, Richard Freeman and Lawrence Katz. "How Much Do Immigration and Trade Affect Labor Market Outcomes?" *Brookings Papers on Economic Activity*. 1997.

Autor, D., D. Dorn, and G. Hanson, "The China Shock: Learning from Labor-Market Adjustment to Large Changes in Trade," *Annual Review of Economics* 2016.

Bound, John and George Johnson. "Changes in the Structure of Wages in the 1980s: An Evaluation of Alternative Explanations." *American Economic Review*. June 1992.

Borjas, George, Richard Freeman and Lawrence Katz, "How Much Do Immigration and Trade Affect Labor Market Outcomes?" *Brookings Papers on Economic Activity*, 1997.

Haskel, J., R. Lawrence, E. Leamer, and M. Slaughter, "Globalization and U.S. Wages: Modifying Classic Theory to Explain Recent Facts," *Journal of Economic Perspectives*, Spring 2012.

Krugman, P. "Trade and Wages Reconsidered," *Brookings Papers on Economic Activity*, 2008.

Lawrence, R. and M. Slaughter. "International Trade and American Wages in the 1980s: Giant Sucking Sound or Small Hiccup." *Brookings Papers on Economic Activity: Microeconomics*, 1993.

5. Computers and Skill-biased Technical Change

- * Autor, D., F. Levy, and R. Murnane. "The Skill Content of Recent Technological Change: An Empirical Investigation?" *Quarterly Journal of Economics*, November 1998.

Autor, D., L. Katz, and M. Kearney (2006). "The Polarization of the U.S. Labor Market." *American Economic Review*, May, 2006.

Acemoglu, D. and David Autor, "Skills, Tasks, and Technologies: Implications for Employment and Earnings," *Handbook of Labor Economics*, Vol. 4 2010.

Acemoglu, D. "Technical Change, Inequality and the Labor Market. *Journal of Economic Literature*. March, 2002.

Goos, M., A. Salomons, and A. Manning. "Explaining Job Polarization: Routine-Biased Technological Change and Offshoring;" *American Economic Review* August 2014.

Krueger, Alan. "How Computers Have Changed the Wage Structure: Evidence from Micro Data." *Quarterly Journal of Economics*. February 1993.

DiNardo, John and Jorn Steffen Pischke. "Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics*. February 1997.

Dunne, T., Foster, L, Haltiwanger, J., and K. Troske. "Wages and Productivity Dispersion in U.S. Manufacturing: The Role of Computer Investment." *Journal of Labor Economics*. April 2004.

+ Deming, D. "The Growing Importance of Social Skills in the Labor Market," August 2016.

6. Minimum Wages, Unions, and Firms

* Card, D., J. Heining, and P. Kline "Workplace Heterogeneity and the Rise of German Wage Inequality," August 2013

* Autor, D., A. Manning, and C. Smith, "The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment," *AEJ: Applied* 2016.

Barth, E., A. Bryson, J. Davis, and R. Freeman, "It's Where You Work: Increases in Earnings Dispersion across Establishments and Individuals in the U.S.," *Journal of Labor Economics* 2016

Bloom, N., Guvenen, N., Price, D., Song, J., and T. von Wachter. "Firming Up Inequality," 2016.

Card, D., T. Lemieux, W.C. Riddell. "Unionization and Wage Inequality: A Comparative Study of the U.S., UK and Canada," NBER WP No. 9473, February 2003.

Fortin, Nicole and Thomas Lemieux "Institutional Changes and Rising Wage Inequality: Is There a Linkage?," *Journal of Economic Perspectives*, Spring 1997.

Goldschmidt, D. and J. Schmieder. "The Rise of Domestic Outsourcing and the Evolution of the German Wage Structure," NBER Working Paper, No. 21366.

Kahn, L. "Wage Inequality, Collective Bargaining, and Relative Employment from 1985 to 1994: Evidence from Fifteen OECD Countries," *Review of Economics and Statistics*, November 2000.

Lee, D. "Wage Inequality in the U.S. during the 1980s: Rising Dispersion or Falling Minimum Wage?" *Quarterly Journal of Economics* August 1999.

+ Frandsen, B. "The Surprising Impacts of Unionization: Evidence from Matched Employer-Employee Data." Working paper, 2014.