Econ 223 Labor Markets

Professor Joanna Venator: jvenator@ur.rochester.edu

Office Hours: Mondays 4-5:30 pm Thursdays 1-2:30 pm (In-person Harkness Hall 216; Zoom: https://rochester.zoom.us/j/93209356284)

TA: Klint Mane kmane@ur.rochester.edu

Lectures: In-person: Genessee 309 Monday and Wednesday 12:30- 1:45 pm

               Zoom : https://rochester.zoom.us/j/93209356284

Textbook: Labor Economics (8th Edition McGraw Hill), George Borjas

Supplemental article readings will be provided via Blackboard or will be available through JSTOR (accessible on campus through the library).

Course Overview

How does public policy influence who works and how much workers get paid? What contributes to differences in earnings for different types of people? Why is there unemployment? How do we identify discrimination in the labor market and what role can the government play in reducing pay disparities? This course offers an introduction to the economics of labor markets and the policies that govern them. Topics covered include an introduction to labor supply and demand, unemployment, minimum wage policy, education and skills, immigration policy, and labor market discrimination.

This course will build upon Microeconomics and Macroeconomics introduced in the first two years in order to develop an understanding of some of the principal issues in modern labor economics, while providing opportunities to practice and develop a range of key skills. We will start by considering the behavior of firms (labor demand) and workers (labor supply) and learn how to solve a simple economic model for a labor market equilibrium. We will then use this framework to explore real world applications such as returns to education, immigration, racial and gender inequality in the labor market, and more. This course will require students to use microeconomic theory, algebra, causal inference skills, and basic econometrics

Assignments and Grading

Grades will be based on one midterm, one final, bi-weekly problem sets and three short-responses to academic articles:

Problem Sets (bi-weekly): 20%

Article Responses: 15%

Midterm: 30%

Final Exam: 35%

Exams: The midterm will be in-class on March 2, 2021. The final exam is scheduled based on the University's finals schedule.

Problem Sets: There will be six problem sets, due bi-weekly. Your course grade will be based on four out of the six problem sets, with the two lowest scores being dropped. Solutions will be posted online after the submission deadline. While collaboration with classmates is encouraged, each student must prepare, write up and submit their answers in GradeScope themselves.

Article Responses: Through out the semester, the course readings will be supplemented with academic articles, news and policy pieces, and pop econ blog pieces. For each week's supplemental reading, there will be a discussion question associated with the piece. Students will have to turn in three short responses to these discussion questions over the course of the semester; they are able to choose which weeks they wish to submit a response. These responses should be 2 to 5 pages typed (Times New Roman 12 pt font, 1.5 line spacing, 1 in. margins) and are due by 11:59 pm via Gradescope on the Sunday following the week assigned.

Weekly Schedule

Week 1 and 2 (1/12 and 1/19): Introduction to Labor Markets

Readings: Borjas, Chapter 1 + Chapter 1 Appendix

Borjas Chapter 2, sections 2-1 through 2-3

Gary S. Becker, "A Theory of the Allocation of Time," Economic Journal, 75, 1965, pp. 493-517.

Week 3 (1/24 and 1/26): Labor Supply: Labor-Leisure trade-offs, Household labor decisions

Readings: Borjas, Chapter 2, section 2-4 through 2-10

Francine Blau and Lawrence Kahn (2007). "Changes in Labor Supply Behavior of Married Women: 1980-2000,"Journal of Labor Economics, 25(3), p 393-438

Francine Blau and Lawrence Kahn (2007). "The Gender Pay Gap: Have Women Gone as Far as They Can?," Academy of Management Perspectives, 21(1), p 7-23.

Short Response Question (due 1/30): Based on Blau and Kahn's paper about the gender pay gap, describe trends in gender pay gap since the 1980s. Discuss three factors that the paper claims contribute to the gender pay gap, along with examples of research cited in the paper that support or does not support each factor as a driver of the gender pay gap.

Week 4 (1/31 and 2/2): Labor Supply: Policy Applications

PS1 due on Wednesday 2/2

Readings: Borjas, Chapter 2-11 through end of Chapter 2

Doepke, Matthias. (2015) Gary Becker on the Quantity and Quality of Children. Journal of Demographic Economics, 59-66.

Eissa, N., & Hoynes, H. W. (2004). Taxes and the labor market participation of married couples: the earned income tax credit. Journal of public Economics, 88(9-10), 1931-1958.

Short Response Question (due 2/6): Why are the effects of the Earned Income Tax Credit on labor supply ambiguous for dual-earner households, but not for single-headed households? Describe 1) how the programs incentives could impact primary vs. secondary earners differently based on the models we discussed in class and 2) what Eissa and Hoynes conclude the effects of the program are based on their econometric analysis.

Week 5 (2/7 and 2/9): Labor Demand: Modelling Demand

Readings: Borjas, Chapter 3

Claudia Goldin and Lawrence F. Katz, "The Origin of Technology-Skill Complementarity," Quarterly Journal of Economics, 113, 1998, pp. 693-732.

Short Response Question (due 2/13): Give an example of a technological change in the 21st century that has changed how firms hire skilled and unskilled labor. Using Goldin and Katz's framework, what would we expect that technological change would do to the ratio of capital to output (K/Q), capital to labor (K/ Ls + Lns), and the ratio of skilled labor to all labor (Ls/ Ls + Lns)? Which of the technological changes from the 20th century that Goldin and Katz describe in Table 1 is your example most similar to?

Week 6 (2/14 and 2/16): Labor Demand: Policy Applications

PS 2 due on Monday 2/16

Readings: Borjas, Chapter 3

Christina Romer "The Business of the Minimum Wage" March 2, 2013. New York Times

Arindrajit Dube and Attila Lindner "City Limits: What Do Local-Area Minimum Wages Do?" Journal of Economic Perspectives—Volume 35, Number 1—Winter 2021.

Short Response Question (due 2/20): Based on class models and readings, provide at least one economic argument for how a federal minimum wage could help and how it could hurt low-wage workers. Discuss how implementing different minimum wages based on local cost of living versus a federal minimum wage would change the impacts of the policy.

Week 7 (2/21 and 2/23): Labor Market Equilibrium

Readings: Borjas, Chapter 4.

Week 8 (2/28): Labor Market Equilibrium and Midterm Review

PS3 due on Monday 2/28

MIDTERM: 3/2/2021

3/7 and 3/9, Spring Break, no Class

Week 9 (3/14 and 3/16): Compensating Differentials

Readings: Borjas, Chapter 5

Peter Dorman and Larry Mishel (June 16, 2020) "COVID Risks and Hazard Pay"

Planet Money 'About that Hazard Pay' (May 1, 2020)

https://www.npr.org/2020/05/01/849390745/episode-996-about-that-hazard-pay

Short Response Question (due 3/20): Since the beginning of the COVID-19 pandemic, many workers have left the service and hospitality industries, leading to ongoing labor shortages in these industries. Considering both changes in the amenities of these jobs and government benefits during this period, how can theories about the value of a statistical life and compensating differentials explain why workers left these industries?

Week 10 (3/21 and 3/23): Human Capital

PS4 due on Monday 3/21

Readings: Borjas, Chapter 6.

Data Interactive: "Career Earnings by College Major" Hamilton Project
https://www.hamiltonproject.org/charts/career_earnings_by_college_major

David Leonhardt (April 24, 2015) "College for the Masses"

Week 11 (3/28 and 3/30): Wage Distribution and Income Inequality

Readings: Borjas, Chapter 7.

David H. Autor, Lawrence F. Katz, Melissa S. Kearney, "The Polarization of the U.S. Labor Market," American Economic Review Papers and Proceedings, 96(2), May 2006, 189 - 194.

Week 12 (4/4 and 4/6): Labor Mobility

PS 5 due on Monday 4/4

Readings: Borjas, Chapter 8.

"Why aren't we moving as much for work?" NPR's Marketplace April 14, 2017 (Listen & Read): https://www.marketplace.org/2017/04/14/economy/why-dont-we-move-for-work-as-much/

Week 13 (4/11 and 4/13): Labor Market Discrimination

Readings: Borjas, Chapter 9.

Marianne Bertrand and Sendhil Mullainathan, "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination," The American Economic Review 94, 2004, pp. 991-1013.

Peter Blair and Bobby W. Chung "Job Market Signaling through Occupational Licensing" (2017) HCEO Working Paper Series

Short Response Question (due 4/17): What is statistical discrimination and how does it differ from taste-based discrimination? How do Blair and Chung's findings about the gender and wage premiums associated with occupational licensing provide support for the theory that firms statistically discriminate? Why do occupational licenses reduce racial or gender wage gaps in this setting?

Week 14 (4/18 and 4/20): Labor Unions

Readings: Borjas, Chapter 10.

Week 15 (4/25 and 4/27): Unemployment

PS 6 due on Monday 4/25

Readings: Borjas, Chapter 12.

Card, Chetty, and Weber (2007) "The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?" American Economic Review 97 May: 113-118.

Short Response Question (due 5/1): How does the generosity and the duration of unemployment insurance influence the length of time a worker searches for a job and the quality of the job they would accept? What is the 'spike at benefit exhaustion' described in Card, Chetty, and Weber and what does this spike tell us about the effects of UI on job search behavior?