

Economics 463
Economics of the Labor Market
Fall 2018
MW 3:30-4:45pm 3712 HBLL

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Office Hours: T 10:00 – 11:00
W 12:30 – 1:30
Or by appointment

Purpose: Economics 463 is designed to provide students with the basic analytical tools and institutional background to understand labor markets in developed countries, especially the U.S. In particular, we will study the role and behavior of the three main actors in the labor markets, workers, firms and government as well as briefly mention other institutional players (e.g. unions).

Textbook: G. Borjas, *Labor Economics*, 7th Ed. Other required readings are listed on p. 6-7 of this syllabus.

Prerequisites: Econ 380, Econ 388.

Grading: Grades will be based on the following components

Homework:	25%
Problem Sets	15%
Thought Questions	10%
Midterm:	20%
Final Exam:	30%
Empirical Project:	20%
Class Presentations/Participation:	5%

Homework: The homework for this class will consist of two components.

Problem Sets (PS): There will be 7 problem sets assigned throughout the semester. Five of these problem sets will consist of analytical questions from the course text and outside sources. The other two will be data analysis problems (using Stata) to help you review some of the basic tools you will need to write your empirical projects. Problem sets are posted on Learning Suite and the due dates are given in the calendar section of this syllabus. They will be graded formally on a points system. Late assignments will not be accepted except in extenuating circumstances (i.e. medical emergency). You are allowed, and indeed encouraged to work on the problems in groups of up to 3 people and submit a single assignment with all names listed.

Thought Questions (TQ): These are questions that will be handed out to encourage you to think about the readings and concepts in the class. These will be distributed, usually once a week, during class and posted on Learning Suite following class. They will have an assigned due date and are due at the beginning of class. The questions will be graded on a checkplus/check/check minus system based on the care and thoughtfulness of the responses. In many cases there is not one right answer, but good answers will indicate familiarity with concepts and evidence from class readings or discussions. These are questions that will require you to do the readings, think about economic issues and write clearly and concisely. While you are encouraged to talk about these questions in groups, each student needs to submit their own assignment, representing their own, individual responses.

Exams: There will be a midterm exam administered in the testing center which students can take during testing center hours on the dates October 17th –19th. The midterm has no time limit. Note, however, there is a \$5 fee for taking an exam on the last day. A comprehensive final exam will be held in the classroom on Thursday December 20th from 3:00 pm – 6:00 pm. All exams are closed book, note and neighbor. Exams will contain a variety of problems to test the analytics and concepts of the course. You will be asked questions about required readings and be required to solve problems using some of the models discussed in class.

Empirical Project: Each student will be part of a 2-3 person group that will submit a 12-15 page paper based on a collaborative empirical project. Each group will agree to collaborate on the project and receive a common grade. This paper is to be on a topic derived from labor economics (broadly defined). It is to include original empirical research involving regression(s), a review of the literature on the subject and tables of descriptive statistics. It may not be a paper any group member has used or is currently using to meet the requirements of another class. The data for this project will most likely come from publicly available internet data set such as ipums (<http://www.ipums.umn.edu/>). Those wishing to use other data need to clear this with the instructor early in the semester. A separate handout describes the paper and possible topics in more detail.

You need to submit a paragraph detailing your group members, a proposed topic area and possible data sets you might use to Prof Sims box in 130 FOB by 5 pm on September 19th. You may make changes to topic and data sources after this but you need to get started on the paper early. A first draft of the paper will be due in Prof Sims box in 130 FOB by 5 pm on November 8th. This is not a rough draft but should represent a proofread, complete paper. The instructor will return your paper with suggestions and comments on the initial draft in class on November 19th. A final draft improving the paper and incorporating responses to feedback is due by 5:00 pm on Thursday December 13th. The grade for the paper represents credit for your proposal paragraph (5%), initial draft (40%), and your final copy (55%). Failure to meet the deadlines listed on the class calendar at any stage in the paper will result in deductions from the paper grade. The due

dates are also listed in the calendar later in this syllabus. More guidance is provided in the class handout on the paper.

Presentations & Participation: Each paper group will give a brief in class presentation about their empirical project, to familiarize the class with their research question, their results and possible implications/modifications. You are required to attend the class days on which student presentations will be given and part of your presentation grade will be based on attendance/participation on those days. Though I do not take roll on the other days, I expect students to attend class and be active participants. You will be asked to rate your class participation as part of your grade. Also, many of the questions on exams will be similar to problem set questions or questions used as class examples.

Other Policies:

1. Grading appeals – We attempt to grade all problem sets and exams on a consistent and fair manner. It is inevitable that students will sometimes feel that a problem has been graded in a manner that slightly penalizes them. I find that usually, that same student has benefit from generous grading on other portions of the assignment. If you wish to appeal the way we have graded an assignment or test, you need to make the appeal in writing. Also note that we reserve the right to re-grade the entire assignment/test to make sure that we have not made errors in either direction

2. Honor Code Standards - In keeping with the principles of the BYU Honor Code, students are expected to be honest in all of their academic work. Academic honesty means, most fundamentally, that any work you present as your own must in fact be your own work and not that of another. Violations of this principle may result in a failing grade in the course and additional disciplinary action by the university. Students are also expected to adhere to the Dress and Grooming Standards. Adherence demonstrates respect for yourself and others and ensures an effective learning and working environment. It is the university's expectation, and my own expectation in class, that each student will abide by all Honor Code standards. Please call the Honor Code Office at 422-2847 if you have questions about those standards.

3. Preventing Sexual Discrimination or Harassment - As required by Title IX of the Education Amendments of 1972, the university prohibits sex discrimination against any participant in its education programs or activities. Title IX also prohibits sexual harassment—including sexual violence—committed by or against students, university employees, and visitors to campus. As outlined in university policy, sexual harassment, dating violence, domestic violence, sexual assault, and stalking are considered forms of “Sexual Misconduct” prohibited by the university.

University policy requires any university employee in a teaching, managerial, or supervisory role to report incidents of Sexual Misconduct that come to their attention through various forms including face-to-face conversation, a written class assignment or paper, class discussion, email, text, or social media post. If you encounter Sexual Misconduct, please contact the Title IX Coordinator at t9coordinator@byu.edu or 801-422-2130 or Ethics Point at <https://titleix.byu.edu/report-concern> or 1-888-238-1062 (24-

hours). Additional information about Title IX and resources available to you can be found at titleix.byu.edu.

4. Students with Disabilities - Brigham Young University is committed to providing a working and learning atmosphere that reasonably accommodates qualified persons with disabilities. If you have any disability which may impair your ability to complete this course successfully, please contact the Services for Students with Disabilities Office (422-2767). Reasonable academic accommodations are reviewed for all students who have qualified, documented disabilities. Services are coordinated with the student and instructor by the SSD Office. If you need assistance or if you feel you have been unlawfully discriminated against on the basis of disability, you may seek resolution through established grievance policy and procedures by contacting the Equal Employment Office at 422-5895, D-285 ASB.

5. Learning Outcomes - Each program at BYU has developed a set of expected student learning outcomes. These will help you understand the objectives of the curriculum in the program, including this class. To learn the expected student outcomes for the programs in this department go to <https://learningoutcomes.byu.edu/#> and click on the College of Family, Home and Social Sciences and then this department.

6. Disclaimer - This syllabus is a set of guidelines. It does not constitute a contract. I reserve the right to modify scheduling, content, grading policies, and assignments.

Course Outline

Date	Day	Topic	Required readings	Due
Sep 5	W	Introduction, Empirical Testing	(B) ch1	
10	M	Empirical Testing, Labor Supply	(B) ch2, p21-39	
12	W	Labor Supply	(B) ch2, p40-59	
17	M	Labor Supply / Life Cycle Supply	(B) ch2, p60-73; Eissa	TQ1
19	W	Life Cycle Labor Supply		Paper Topic
24	M	Retirement/Household Production	(B) ch2, p74-79; Krueger	TQ2
26	W	Household Production / Fertility	Angrist & Evans (98)	Problem set 1 (Stata)
Oct 1	M	Labor Demand	(B) ch 3, 84-104;	TQ3
3	W	Labor Demand /Quasi Fixed Costs	(B) ch3 105-114, 127-138	
8	M	Equilibrium and Mobility	ch 4, 144-162, 183-190; Pritchett	Problem set 2
10	W	Minimum Wage	(B) ch 3,115-126; Jardim	TQ4
15	M	Immigration and Wages	(B) ch 4 163-177;Borjas	Problem set 3
17	W	NO CLASS – EXAM		
17-19		MIDTERM - Testing Center		
22	M	Immigration	(B) ch 8, 322-342	
24	W	Compensating Differentials	(B) ch 5, 196-212	
29	M	Compensating Differentials Human Capital – Mincer Model	(B) ch 5, 213-223, ch 6, 229-244;	Problem set 4 (Stata)
31	W	Human capital – Returns to schooling, Signaling,	(B) ch 6, 245-264; Angrist & Krueger (1991)	TQ5
Nov 5	M	Human capital – signaling, training Wage distribution	(B) ch 6, 265-276, ch 7, 282-300;	Problem set 5
7	W	Wage distribution/ Intergenerational mobility	(B) ch 7, p. 300-307 Autor.	TQ6
8	Th			Paper Draft
12	M	Discrimination – Models	ch 9, p. 362-380;Neal;	
14	W	Discrimination – Empirics	(B) ch 9, p. 381-405; Mullainathan	TQ7
19	M	Discrimination / Labor Unions	(B) ch 10, p.412-433.	
21	W	NO CLASS – HOLIDAY		
26	M	Labor Unions	(B) ch 10, p.434-452.	Problem set 6
28	W	Incentive Contracts	(B) ch 11, p. 458-489.	
Dec 3	M	Incentive Contracts/Unemployment	Taylor	
5	W	Unemployment	(B) ch 12, p. 494-536.	
10	M	Student Presentations		Problem set 7
12	W	Student Presentations/Review		
13	Th	Last Day of Fall Semester		Paper Revised
20	Th	FINAL EXAM– 3- 6pm – 3712 HBLL		

Notes on readings

(B) indicates reading from the textbook. Other required readings are from the readings list below by the last name of the first author and the publication date when last name is ambiguous. Problem Set due dates are tentative and may be changed by class announcement.

Readings: Beyond the textbook there are 11 journal articles which you are required to read and should be prepared to discuss in class on the day indicated. They are available online. Most can be found through one of the following sites: from <http://www.jstor.org/> (those marked with **(J)**), the journal of labor economics website <http://www.journals.uchicago.edu/toc/jole/current> (Marked with **CH**) or <http://www.nber.org/papers/> (Marked with **(N)**).

Required Readings

(J) N. Eissa and J. Leibman, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics* (May 1996), p 605-637.

(J) A. B. Krueger and J. S. Pischke The Effect of Social Security on Labor Supply: A Cohort Analysis of the Notch Generation. *Journal of Labor Economics*, 10. (Oct., 1992), p. 412-437

(J) J. Angrist and W. Evans, "Children and Their Parent's Labor Supply: Evidence from Exogenous Variation in Family Size," *American Economic Review*, 88 (June 1998).

(J) L. Pritchett. "Boom Towns and Ghost Countries: Geography, Agglomeration, and Population Mobility." In *Brookings Trade Forum*. Brookings Institution Press. (Jan 2006), p. 1-42

(N) E. Jardim, M. C. Long, R. Plotnick, E. van Inwegen, J. Vigdor, and H. Wething. *Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle*. National Bureau of Economic Research Working Paper No. w23532, 2017.

G. Borjas. "The wage impact of the Marielitos: A reappraisal." *ILR Review* (2017).

Available at Borjas' web site: <https://sites.hks.harvard.edu/fs/gborjas/>

(J) J. Angrist and A. Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?," *Quarterly Journal of Economics* 106 (November 1991).

(J) D. Autor "Why are there still so many jobs? The history and future of workplace automation." *The Journal of Economic Perspectives* 29, no. 3 (2015): 3-30.

(J) D. Neal and W. Johnson. The Role of Premarket Factors in Black White Wage Differences. *Journal of Political Economy* 104. (1996). 869-95.

(J) S. Mullainathan and M Bertrand. Are Emily and Brendan More Employable than Latoya and Tyrone? Evidence on Racial Discrimination in the Labor Market from a Large Randomized Experiment. *American Economic Review*. September 2004.

(CH) B. A. Taylor and J. G. Trogdon. Losing to Win: Tournament Incentives in the National Basketball Association. *Journal of Labor Economics* 20. (Jan 2002) p. 23–41.

Supplementary Readings Outline:

1). Employment, Earnings, and the Labor Market: An Overview

(N) C. Goldin, "Labor Markets in the 20th Century," NBER Historical Working Paper No. 58, June 1994 [also in *Cambridge Economic History of the US*, 1-85].

2). Labor Supply and the Decision to Work

(J) G. Imbens, D. Rubin, and B. Sacerdote, "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players," *American Economic Review* (September 2001).

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

(J) Oettinger, Gerald S., "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors," *Journal of Political Economy*, 107[2], April 1999, 360-92.

3). Topics in labor supply

(J) R. Gronau, "Leisure, Home Production and Work—The Theory of the Allocation of Time Revisited," *Journal of Political Economy* 85 (Dec 1977).

4). The Demand for Labor

(J) J. Angrist, "Short-Run Demand for Palestinian Labor," *Journal of Labor Economics*, July 1996.

(J) L. H. Summers. Some Simple Economics of Mandated Benefits. *The American Economic Review* 79(2). (1989) 177-183.

5). Labor Market Equilibrium and Minimum Wages

(J) C. Brown, "Minimum Wage Laws: Are They Overrated?," *Journal of Economic Perspectives* 2 (Summer 1988).

D. Card and A. Krueger, *Myth and Measurement: the New Economics of Legal Minimum Wages*, Princeton University Press, 1995.

(J) D. Card and A. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review* 84, September 1994, pp. 772-93.

(J) Finis Welch. *Comment*. In R. Ehrenberg, ed., "The New Economics of the Minimum Wage: Review Symposium," *Industrial and Labor Relations Review* 48, July 1995. P 842-848

6). Immigration

(J) G.E. Johnson, "The Labor Market Effects of Immigration," *Industrial and Labor Relations Review* 33 (April 1980).

(J) G. J. Borjas. The Labor Demand Curve Is Downward Sloping: Reexamining The Impact Of Immigration On The Labor Market. *The Quarterly Journal of Economics* 118. (2003). 1335-1374

(J) D. Card, "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review* 43 (January 1990).

7). Compensating Differentials

(J) R. K. Filer. "Male-Female Wage Differences: The Importance of Compensating Differentials." *Industrial and Labor Relations Review*, Vol. 38, No. 3. (1985), 426-437.

(J) C. A. Olson. Do Workers Accept Lower Wages in Exchange for Health Benefits? *Journal of Labor Economics*. 20. (Apr 2002) S91–S114.

8). Human Capital, Education, Training and the wage structure

(J) J. Angrist, "Lifetime Earnings and the Vietnam-Era Draft Lottery: Evidence From Social Security Administrative Records," *American Economic Review* 80 (June 1990).

(B) E. Benmelech and C. Berrebi. Human Capital and the Productivity of Suicide Bombers. *Journal of Economic Perspectives* 21(3). (2007) 223–238

(J) A. Krueger, "How Computers Have Changed the Wage Structure," *Quarterly Journal of Economics* 108 (February 1993).

(J) J. DiNardo and J.S. Pischke, "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?," *Quarterly Journal of Economics*, 112, February 1997, pp. 291-303.

(N) D. Autor, L Katz, and M. Kearney, "Trends in US Wage Inequality: Re-Assessing the Revisionists," NBER Working Paper 11627, September 2005.

9). Discrimination

(J) J. Heckman and B. Payner, "Determining the Impact of Federal Anti-discrimination Policy on the Economic Status of Blacks: A Study of South Carolina" *American Economic Review* 79, 138-177.

(J) J. Angrist and D. Acemoglu, "Consequences of Employment Protection? The Case of the Americans with Disabilities Act," *Journal of Political Economy*, October 2001.

10). Unions and Contracts in the Labor Market

(J) O. Ashenfelter and G. Johnson, "Bargaining Theory, Trade Unions, and Industrial Strike Activity," *American Economic Review* 59, (March 1969), 35-49

H. Farber, "The Economic Analysis of Unions," Chapter 18 in *The Handbook of Labor Economics*, O. Ashenfelter and R. Layard, eds., North-Holland, 1986.

(B) DiNardo and D.S. Lee, "Economic Impacts of New Unionization on US Private Sector Employers: 1984-2001," *Quarterly Journal of Economics* 119 (2004), 1383-1442.

11). Incentives and Implicit contracts.

(B) M. T. Maloney and R. E. McCormick. "The Response of Workers to Wages in Tournaments: Evidence From Foot Races." *Journal of Sports Economics* 1(2). (2000). 99-123

12). Unemployment and unemployment insurance

(J) S. Woodbury and R. Speigelman, "Bonuses to Workers and Employers to Reduce Unemployment: Randomized Trials in Illinois," *American Economic Review* 77 (September 1987): 513-530.

(N) B. Meyer, "A Quasi-experimental Approach to Measuring the Effects of Unemployment Insurance," NBER Working Paper No 3159, November 1989.