

ECONOMICS 2009 / 2059 / 8041

Labour Economics & Industrial Relation

Fall 2011

Instructor: Dr. Ivan Cherkashin
Office Hours: Wednesday 1 - 3 pm, or by appointment
Room 1008, H W Arndt building, ANU
E-mail: ivan.cherkashin@anu.edu.au
Phone: 6125 5637, on campus 55637
Course website: Wattle @ <https://wattle.anu.edu.au/>

The main *objective* of this course is to familiarize students with the modern theories of Labor Economics, the latest statistical and econometric tools used to evaluate these theories, and to provide overlook of the empirical findings on labor markets. The main topics covered in this class include (but not limited to) study of labour demand and supply, process of wage formation and discrimination, returns on educations and unemployment.

Prerequisites. Students are assumed to have some basic knowledge of optimization theory, statistics and econometrics. Particular topics in mathematics and econometrics will be covered in class to provide better understanding of the material. Specifically, during the first week we are going to spend some time looking at regression analysis and instrumental variables estimation techniques. Extra help can be provided one-on-one during office hours whenever needed.

Lectures. The number and time of the lectures you have to attend depends on the class level you are enrolled in. Students taking Econ 2009 have two lectures - Wednesday from 10 to 11 am, Thursday 4 to 5pm. Honors and Graduates taking Econ 2059 / 8041 have to attend one extra lecture on Wednesdays from 11 am to 12 pm. All lectures are going to take place in HA G053 (building 22). Attendance is expected from all students. Students who are not formally enrolled in Econ 2059/8041 are welcome to attend honors / graduates lecture at their own discretion.

Textbook. Students are advised to purchase “Labor Economics” by George Borjas (5th edition), McGraw-Hill, ISBN 978-0-07-351136-8, 2010. This textbook is available at the university bookstore or can be purchased on-line. The library will have one copy of the text at a two hour reserve. Students looking to take Honors, Masters or PhD level labour economics or just interested in carrying out research in this field are advised to purchase graduate level text “Labor Economics” by Pierre Cahuc and Andre Zylberberg, MIT Press 2004. Finally, quite valuable source of additional reading is the Handbook of Labor Economics (Volumes 1,2,3a, 3b and 3c).

Materials, handouts and assignments can be found at the Wattle site for ECON2009/2059/8041. All students normally enrolled in this course should have access to this site and should check it at

least once a week. If you have problems accessing the materials, please, let the instructor know immediately. Almost all research papers and chapters of the Handbook of Labor Economics mentioned in this syllabus are available on-line via three major sources JStor (Papers), Science Direct (Papers and Handbook) and NBER (working paper series). These sites are available from the university network.

Grading. Course grade will depend on several components: Midterm exam (30%), Home Assignments (2 * 10%), Final Exams (50%). For students who have a valid reason to miss the midterm examination the final exam will have the weight of 80%. Final exam is comprehensive and covers all topics studied during the semester with a slight bias toward the material given after the first midterm. Honors and graduate students have the same grading criteria, but will have extra questions on all exams, midterms and home assignments.

Academic integrity will be strictly enforced and cheating will not be tolerated. You can check the latest ANU College of Business and Economics guidelines and definitions. It is assumed that all students are familiar with ANU CBE and university-wide policies and procedures regarding, among others, special and supplementary examinations, special consideration, academic honesty, and plagiarism.

Missed exams / midterms. In case you have to miss the midterm, the final exam or if you are unable to attend multiple lectures, and you have a valid excuse, you have to inform the lecturer as soon as possible and provide the relevant paperwork. If you miss a midterm or a home assignment deadline due to a valid excuse then weights used to calculate final grade will be adjusted proportionally. However, if midterm is missed for no valid reason then grade of zero for the missed component will be given.

Course outline is sketched below. Note, that this outline is approximate. Depending on interest in particular topics revealed by the students we can spend more or less time on some topics. Also, some extra references to the academic papers might be added as we proceed. Students taking ECON 2009 are supposed to read chapters of the main class textbook (by G. Borjas), however are welcomed to familiarize themselves with the materials marked as “advanced” reading. Honors and Graduate students are *required* to read both the textbook and the papers.

Course Outline

1. Introduction

Required: **G. Borjas**, Chapter 1: “Introduction to Labor Economics” (with special attention to Appendix!)

2. Labour Supply

Required: **G. Borjas**, Chapter 2: “Labor Supply.”

Advanced reading:

- **Gronau, Reuben** (1977) "Leisure, Home Production, and Work - the Theory of the Allocation of Time Revisited," *Journal of Political Economy*, Vol.85, No.6, pp.1099-1123
- **Bronars, S., and J. Grogger**, "The Economic Consequences of Unwed Motherhood: Using Twins as a Natural Experiment," *American Economic Review*, 84[5], December 1994, 1141-1156.
- **Gelbach, J.**, "Public Schooling for Young Children and Maternal Labor Supply," *American Economic Review*, 92, March 2002, 307-322.
- **N. Eissa and J. Leibman**, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics* 111 (May 1996).
- **J. Angrist and W. Evans**, "Children and their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *AER* 88[3], June 1998, 450-477.
- **Heckman, James J.**, "Shadow Prices, Market Wages and Labor Supply," *Econometrica*, 42[4], July 1974, 679-94.
- **O. Ashenfelter**, "What is Involuntary Unemployment?" *Proceedings of the American Philosophical Society*, 122[3], June 1978.
- **Imbens, Rubin, and Sacerdote**, "Estimating the Effect of Unearned Income on Labor Supply: Evidence from a Survey of Lottery Players," *American Economic Review* 91 (2001).

Other reading (not required, but good for references):

- Handbook of Labor Economics, Volume 1, Chapter 1: "Labor Supply of Men: A survey."
- Handbook of Labor Economics, Volume 1, Chapter 2: "Female Labor Supply: A survey."
- Handbook of Labor Economics, Volume 1, Chapter 4: "Home Production - A survey, by Reuben Gronau."

3. Labour Demand, Minimum Wages

Required: G. Borjas, Chapter 3: "Labor Demand."

Advanced:

- **Rodrik, Dani** (1997). "Has Globalization Gone Too Far?," Washington, D.C.: Institute for International Economics. Chapter 2.
- **D. Card**, Using Regional Variation to Measure the Effect of the Federal Minimum Wage," *Industrial and Labor Relations Review*, October 1992.
- **P. Lewis**, Minimum Wages and Employment, Australian FairPay Commission, Research Report No. 1/06.

Other reading (not required, but good for references):

- Handbook of Labor Economics, Volume 1, Chapter 8: “The Demand for Labor in the Long Run.”
- Handbook of Labor Economics, Volume 1, Chapter 9: “Dynamic Models of Labour Demand.”
- **Cahuc, Pierre and Andre Zylberberg**, “Labor Economics,” Chapter 4.
- **Hamermesh, Daniel**, “Labor Demand”, Chapter 2.

4. Labour Market Equilibrium and Migration

Required: **G. Borjas**, Chapter 4: “Labor Market Equilibrium” and Chapter 8 “Labor Mobility.”

Advanced:

- **D. Card**, ‘The Impact of the Mariel Boatlift on the Miami Labor Market.’ Industrial and Labor Relations Review, vol.43, (January 1990), pp. 245-257.
- **P. Cortes**, “The Effect of Low-Skilled Immigration on US Prices: Evidence from CPI Data,” JPE 2008, 381-422.
- **C.L. Smith**, “Dude, Where’s My Job? The Impact of Immigration on the Youth Labor Market,” Federal Reserve Board of Governors, August 2009.

5. Wages

(a) The Wage Structure & Compensating Wage Differentials

Required: **G. Borjas**, Chapter 5: “Compensating Wage Differentials” and Chapter 7 “The Wage Structure.”

Advanced: to be announced later.

(b) Human Capital and Returns to Education and Experience

Required: **G. Borjas**, Chapter 6: “Human Capital.”

Advanced:

- **Angrist, J.D. and A. Krueger**, "Does Compulsory Schooling Attendance Affect Schooling and Earnings?" Quarterly Journal of Economics, 106[4], Nov 1991, 979-1014.
- **R. Freeman**, "Over-investment in College Training," Journal of Human Resources, Summer 1975, 10[3], 287-311.
- **M. Stanley**, “College Education and the Midcentury GI Bills,” QJE 2003.
- **J. Angrist and S. Chen**, “Long-Term Consequences of Vietnam-Era Conscription: Schooling, Experience and Earnings,” IZA Discussion Paper No. 3628, August 2008.

Other reading (not required, but good for references):

- **J. Mincer**, *Schooling, Experience, and Earnings*, New York: NBER, 1974.
- **R.J. Willis**, "Wage Determinants," Chapter 10 in *The Handbook of Labor Economics*.

(c) Labour Market Discrimination

Required: **G. Borjas**, Chapter 9: "Labor Market Discrimination."

Advanced:

- **Neal, Derek A., and William R. Johnson**, "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, Vol. 104, No. 5 (1996), pp. 869-895.
- **Darity Jr., William A., and Patrick L. Mason**, "Evidence on Discrimination on Employment," *The Journal of Economic Perspectives*, Vol. 12, No. 2. (Spring 1998), pp. 63-90.
- **Heckman, James J.**, "Detecting Discrimination," *The Journal of Economic Perspectives*, Vol. 12, No. 2. (Spring 1998), pp. 101-116.
- **Ashenfelter, Orley, and Ronald Oaxaca**, "The Economics of Discrimination: Economists Enter the Courtroom," *The American Economic Review*, Vol. 77, No. 2 (May 1987), pp. 321-325.

6. Labour Unions

Required: **G. Borjas**, Chapter 10: "Labor Unions."

Advanced:

- **D. Lee and A. Mas**, "Long-run Impacts of Unions on Firms: New Evidence from Financial Markets," NBER Working Paper 14709, February 2009.
- **J. DiNardo and D.S. Lee**, "Economic Impacts of New Unionization on US Private Sector Employers: 1984-2001," *QJE* 119 (2004), 1383-1442.

Other reading (not required, but good for references):

- *Handbook of Labor Economics*, Volume II, Chapter 18: "The Analysis of Union Behavior."

7. Unemployment

Required: **G. Borjas**, Chapter 12: "Unemployment."

Advanced:

- **Blanchard, Oliver and L.F. Katz**, “What We Know and Do Not Know About the Natural Rate of Unemployment,” *Journal of Economic Perspectives*, Vol. 11, No. 1 (Winter 1997), pp. 51-72.
- **Blanchard, Oliver**, “European Unemployment: The Evolution of Facts and Ideas”, working paper 05-24, Massachusetts Institute of Technology, October 2005.
- **Blanchflower, David G. and Andrew J. Oswald**, “An Introduction to the Wage Curve”, *Journal of Economic Perspectives*, Vol. 9, No. 3 (Summer 1995), pp. 153-167.