

Georgia State University

1. Course Description and Prerequisites

This course is designed to enable you to understand what analytical labor economics is about and how it can be applied to answer questions of interest to public policy. In addition, since labor economics today combines econometric analysis with theory, you must at least understand multivariate regression to benefit from the discussion of the empirical work reviewed in this course. If you do not, or if you are stale, please refresh your memory by going over Greene, *Econometric Analysis*; or Maddala, *Introduction to Econometrics*.

2. Readings and Texts

There are no required texts for this course. However, Kaufman and Hotchkiss, *The Economics of Labor Markets*, 5th ed. is recommended as a good background text book. There are also several books that are musts for every labor economist's book shelf. These include:

Killingsworth, *Labor Supply*
Hamermesh, *Labor Demand*
Ashenfelter and Layard, eds., *Handbook of Labor Economics*

Attached is a course outline and the articles whose content for which you will be responsible. Copies of these articles are in file folders across from my office (645 CBA); keep them in alphabetical order and do not tie up the copier. Everyone is expected to read each article and be able to contribute to the discussion.

3. Goals of the Course

At the end of this course, each student should be able to (1) interpret results from empirical labor research; (2) manipulate and apply basic theoretical labor market models; and (3) become familiar with the CPS and NLSY and estimate an empirical model.

4. Requirements for the Course

a) Exams

There will be one take-home midterm exam and one take-home final exam. The exams will consist of opportunities to apply the theoretical models presented in class, interpret results from empirical research, and demonstrate an understanding and recall of articles read. The midterm will be distributed Monday, February 25 and will be due Friday, **March 1, 5pm**. The final exam will be due **April 30, 9am**. All take home exams are open notes, open books, but closed discussion.

b) Article Summaries

It is essential that each student come prepared to discuss the assigned articles. To assist in motivating this sort of preparation, summaries of the articles will be required to be turned in the day we are scheduled to discuss them. The summaries should be typed, double spaced, and no longer than two pages. The summaries should include the following headings: (1) Motivation (what questions, policies, problems are raised and how is the previous literature lacking), (2) Methodology (what data are used, what empirical problems are faced), (3) Conclusions (what answers, recommendations are given), (4) Unanswered Questions (what further research, study is called for).

c) Article Presentations

Each student will be assigned certain articles to present. Several articles will be presented by the instructor and several will not be presented in class at all, but will only be used for the Summary reports. Students are expected to provide a clear and concise summary of the paper assigned, theoretical and econometric detail summaries are expected. Students do not turn in summaries for the articles they present.

d) Empirical Project

The project will consist of two parts. The first part will be an exploration of the CPS and NLSY data sets, where the student will extract data sets and prepare tables and a discussion of means and

frequencies of the variables. A comparison of the two data sources will be expected. An alternative data set may be proposed for exploration, but may only substitute one of the other two.

The second part will be the actual estimation of an empirical model of the student's choosing; the topic will be discussed with the instructor. The student will be responsible for consulting the literature about which regressors to include in the model, justifying their inclusion, interpreting the results (in the context of the current literature on the topic), and discussing the limitations of the estimation and how the empirical model might be modified to better reflect reality. The paper should contain (1) an introduction, where the question being addressed is motivated; (2) a brief literature review, where justification for the empirical model is given; (3) a presentation of the empirical model, where the dependent and independent variables and model structure are discussed in detail along with potential draw backs of the model chosen for estimation; (4) a discussion of estimation results, including specific interpretation of parameter coefficients of interest; and (5) a conclusion which ties the whole thing together. The paper should be no longer than 15 double-spaced, typed pages, including references and tables.

The first part of the project (data exploration and comparison of the two data sets) will comprise 20% of the total grade for the empirical project and is due **March 26, 9am**. The final paper containing the model estimation and interpretation will count for 80% of the grade for the project, and is due **May 8, 5pm** (see exception below).

e) Grading

The exams together will count toward 30% of the final grade, the empirical project will count for 40%, and the article summaries will count for 30%, and article presentations will count for 20%.

5. Other Policies

Cheating: Persons caught cheating on any exam, plagiarizing published or unpublished works, or partaking in any other form of academic dishonesty will (at a minimum) receive an "F" for the entire course.

Office Hours: By appointment.

Attendance: According to GSU policy, all students who are, by the instructor's judgement, no longer actively enrolled in the class after the midpoint of the course will receive a WF.

6. Important Dates

Tuesday, January 8: first day of class

Monday, Monday February 25: class instead of Tues, Feb. 26

Friday, March 1: Take-home mid-term exam due

Monday, March 11: Last day to withdraw with a "W"

Tuesday, March 26: data exploration assignment due

Tuesday, April 30, 9am: Take-home final exam due

Friday, May 8, 5:00pm: empirical project due (an extension will be allowed only if data source for project is something other than CPS or NLSY)

This syllabus and attached reading list provide a general plan for the course. Additions or deletions may be necessary as the course progresses.

Readings

I. Labor Supply

A. Static Labor-Leisure Choices

1. Individual Consumer Behavior

Atrostic, B. "The Demand for Leisure and Nonpecuniary Job Characteristics." American Economic Review 72 (June 1982): 428-440. **(Julie)**

Woodbury, Stephen A. "Substitution Between Wage and Nonwage Benefits." American Economic Review 73 (March 1983): 166-82. **(Julie)**

2. Labor Force Participation and Fixed Costs of Labor Supply

Goldin, Claudia. "The U-Shaped Female Labor Force Function in Economic Development and Economic History." NBER Working Paper No. 4707 (April 1994). **(Report Only)**

*Lombard, Karen V. "Women's Rising Market Opportunities and Increased Labor Force Participation." Economic Inquiry 37 (April 1999): 195-212.

3. Allocation of Time

Becker, Gary. "A Theory of the Allocation of Time." Economic Journal (September 1965): 493-517. **(Julie)**

4. Family Labor Supply Decisions

*Inchauste, Gabriela. "Intrahousehold Allocation of Resources: The Bolivian Family." IMF Working Paper WP/01/57 (May 2001).

*Lundberg, Shelly; Richard Startz; and Steven Stillman. "The Retirement-Consumption Puzzle: A Marital Bargaining Approach." Journal of Public Economics (forthcoming).

B. Life-Cycle Model of Labor Supply

MaCurdy, Thomas E. "An Empirical Model of Labor Supply in a Life-Cycle Setting." Journal of Political Economy 89 (December 1981):1059-85. **(Julie)**

C. Empirical Issues

1. Limited Dependent Variables

2. Endogeneity and Instrumental Variables

*Anderson, Deborah J. "'If You Let Me Play': The Effects of Participation in High School Athletics on Students' Educational and Labor Market Success." Mimeo, University of New Mexico (January 2001).

3. Fixed and Random Effects

Jakubson, George. "The Sensitivity of Labor-Supply Parameter Estimates to Unobserved Individual Effects: Fixed- and Random-Effects Estimates in a Nonlinear Model Using Panel Data." Journal of Labor Economics 6 (July 1988):302-29.

Zabel, Jeffrey E. "Estimating Wage Elasticities for Life-Cycle Models of Labor Supply Behavior." Labour Economics 4 (September 1997): 223-44.

II. Two Micro Data Sets

*Krueger, Alan B.. "Symposium on Econometric Tools." Journal of Economic Perspectives 15 (Fall 2001): 3-10.

A. Current Population Survey (CPS)

B. National Longitudinal Survey of Youth (NLSY)

III. Labor Demand

A. Labor Productivity and Elasticity of Labor Demand

Hamermesh, Daniel S. "Econometric Studies of Labor Demand and Their Application to Policy Analysis." Journal of Human Resources (Fall 1976). **(Julie)**

*Hellerstein, Judith K; David Neumark; and Kenneth R. Troske. "Wages, Productivity, and Worker Characteristics." Journal of Labor Economics (July 1999): 409-46.

B. Aggregation, Separability, and Substitution

Berndt, E. and L. Christensen. "Testing for the Existence of a Consistent Aggregate Index of Labor Inputs." American Economic Review 64 (June 1974): 391-404. **(Julie)**

Denny, M. and M. Fuss. "The Effect of Factor Prices and Technological Change on the Occupational Demand for Labor: Evidence from Canadian Telecommunications." Journal of Human Resources (Spring 1983): 161-176. **(Julie)**

*Griffin, Peter. "The Substitutability of Occupational Groups Using Firm-level Data." Economics Letters 39 (1992): 279-82.

IV. Human Capital Theory

A. Returns to Education

*Singell, Larry D.; Paul T. Seaman; and Monojit Chattergi. "A Test of Signalling Hypothesis." Mimeo, Department of Economics, University of Oregon (September 1999).

Spence, Michael. "Job Market Signaling," Quarterly Journal of Economics 87 (August 1973): 355-74. **(Report Only)**

Psacharopoulos, George. "Returns to Investment in Education: A Global Update." World Development 22 (September 1994): 1325-43. **(Report Only)**

B. On-the-Job Training

*Hutchens, Robert. "Seniority, Wages, and Productivity: A Turbulent Decade." Journal of Economic Perspectives (Fall 1989).

C. Empirical Issue: Sample Selection

Willis, R. and S. Rosen. "Education and Self-Selection." Journal of Political Economy (October 1979): S7-S36. **(Julie)**

D. Human Capital Theory and Migration

*Gabriel, Paul E. and Susanne Schmitz. "Favorable Self-Selection and the Internal Migration of Young White Males in the United States." Journal of Human Resources 30 (Summer 1995): 460-71.

V. Compensating Wage Differentials

Ehrenberg, Ronald G. and Paul L. Schumann. "Compensating Wage Differentials for Mandatory Overtime?" Economic Inquiry 22 (October 1984): 460-78. **(Julie)**

*Frank, Robert H. "What Price the Moral High Ground?" Southern Economic Journal 63 (July 1996): 1-17.

VI. Wage Decomposition and Measuring Occupational Segregation

Cotton, Jeremiah. "On the Decomposition of Wage Differentials," Review of Economics and Statistics 70 (May 1988): 236-43. **(Julie)**

Oaxaca, Ronald L. and Michael R. Ransom. "On Discrimination and the Decomposition of Wage Differentials." Journal of Econometrics 61 (March 1994): 5-21. **(Report Only)**

Silber, Jacques. "Occupational Segregation Indices in the Multidimensional Case: A Note." The Economic Record 68 (September 1992): 276-7. **(Julie)**

VII. Search Theory

A. Theory and Background

Blau, David M. "Search for Nonwage Job Characteristics: A Test of the Reservation Wage Hypothesis," Journal of Labor Economics 9 (April 1991): 186-205. **(Julie)**

B. *Empirical Issue: Duration Analysis*

- *Hotchkiss, Julie L. "The Effect of Transitional Employment on the Duration of Search: A Selectivity Approach." Atlantic Economic Journal 27 (March 1999): 38-52.
- *Saha, Atanu and Lynette Hilton. "Expo-power: A Flexible Hazard Function for Duration Data Models." Economics Letters 54 (1997): 227-33.

VIII. Trade, Immigration, and the U.S. Labor Market

A. The Facts

Abowd, John M. and Richard B. Freeman, eds. Immigration, Trade, and the Labor Market. Chicago: University of Chicago Press, 1991. **(Julie)**

B. Economic Impact

- *Borjas, George. "The Economic Benefits from Immigration." Journal of Economic Perspectives 9 (Spring 1995): 3-22.
- *Card, David. "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration." Journal of Labor Economics 19 (January 2001): 22-64.

C. *Empirical Issue: Use of Macro Data*

- *Zavodny, Madeline. "Immigrant Selectivity: Evidence from Occupational Distributions." Federal Reserve Bank of Atlanta Working Paper 2000-12 (September 2000).

IX. Welfare Issues

Moffit, Robert. "Incentive Effects of the U.S. Welfare Systems: A Review," Journal of Economic Literature 30 (March 1992): 1-61. **(Report Only)**

- *Hotchkiss, Julie L; Christopher King; and Peter Mueser. "Determinants of Welfare Exit and Employment." Mimeo, Georgia State University (October 2001).

X. Issues in Health Insurance

- *Kapur, Kanika. "The Impact of Health on Job Mobility: A Measure of Job Lock." Industrial and Labor Relations Review 51 (January 1998): 282-98.
- *Buchmueller, Thomas C. and Robert G. Valletta. "The Effect of Health Insurance on Married Female Labor Supply." Journal of Human Resources 34 (Winter 1999).