

DRAFT January 4 2017

McMASTER UNIVERSITY

Department of Economics

ECONOMICS 781

Labour Economics

January 2017

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Class: Wednesday 1500-1800
Office Hours: Friday 1330-1500 or by appointment

Overview and Reference Materials

This course will cover core topics in labour economics at the graduate level. The objective is to train students in the theoretical and quantitative analysis of labour market issues. The course is designed for MA, MAEP and PhD students in Economics with appropriate background in microeconomics and econometrics.

The required text is:

Cahuc, Pierre, Stéphane Carcillo & André Zylberberg, Labor Economics 2e MIT Press, 2014 [CCZ].

Copies are available in the Campus Store and online. In addition, readings (papers) are assigned for each topic. These readings can be downloaded from any McMaster-linked computer (or from anywhere if you login through the McMaster Library first). Students are expected to know or learn the standard material of an undergraduate level course in labour economics, much of which will not be covered or repeated in this class. I suggest that all students read the relevant chapters of an undergraduate text independently each week. The leading Canadian text is

Benjamin, Dwayne, Morley Gunderson, Thomas Lemieux & W. Craig Riddell, Labour Market Economics: Theory, Evidence, and Policy in Canada, McGraw-Hill Ryerson, 7th edn, 2012.
[BGLR]

Standard survey/reference material (of various vintages, some now dated) is contained in

Handbook of Labor Economics [HLE]

Vols 1 & 2, O. Ashenfelter & R. Layard, eds, 1986;
Vols 3A, 3B & 3C, O. Ashenfelter & D. Card, eds., 1999; and
Vols 4A & 4B, O. Ashenfelter & D. Card, eds., 2011.

Finally, two useful books related to applied econometric methods we will often encounter are:

Angrist, Joshua D., & Jörn-Steffen Pischke, Mostly Harmless Econometrics: An Empiricist's Companion, Princeton UP, 2009.

Angrist, Joshua D., & Jörn-Steffen Pischke, Mastering 'Metrics, Princeton UP, 2015.

Evaluation

All students will write a closed book final examination worth 40% of the grade. Active class participation (including attendance) and some problem sets will together be worth 40% of the grade. The remaining 20% of the course grade will depend on a written assignment, as follows:

- a referee report (4-5 pages) on a recent labour paper from a general journal, top field journal or leading working paper series that states the paper's objective, summarizes the paper's methods, assesses the adequacy of the paper's analysis and methods and gives an editor basis for a reasoned decision on publication;
or
- a policy report (4-5 pages) on a recent StatCan research paper on a suitable labour topic (from, e.g., Insights on Canadian Society or Economic Insights) that discusses the policy angle of the piece and suggests areas where the underlying research could be extended.

I expect all PhD students to do the referee report, all MAEP students to do the policy report, and MA students to select whichever they find more interesting. Papers should be approved by me in advance. I will discuss these papers in more detail in class. They are due in class in the final week of classes.

You may work together on problem sets but you must hand in only your own work, expressing your own understanding of the material. You need to figure things out yourself!

The attention of all students is drawn to the Senate Policy Statement on academic ethics and to the Senate Resolution on Academic Dishonesty to which the Statement refers.

Outline

Coverage will be flexible depending on the composition, pace and interests of the class. We may not cover everything listed, and I may add/subtract readings as we progress.

Students should read these papers in advance of class and come prepared to participate actively in discussion.

Labour Supply

CCZ Ch1.

Ashenfelter, Orley C., Kirk B. Doran & Bruce Schaller, "A Shred of Credible Evidence on the Long Run Elasticity of Labor Supply," Economica, 77, 637-50, October 2010.

Card, David, & Dean R. Hyslop, "Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers," Econometrica, 73, 1723-70, 2005.

Labour Demand

CCZ Ch2.

HLE Volume 3A, Ch8 (Hamermesh) & Ch9 (Nickell).

Card, David, & Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," American Economic Review, 84, 772-93, 1994.

Wage Structure: Competitive Equilibrium, Compensating Differentials

CCZ Ch3.

Acemoglu, D., Autor, D., & Lyle, D., "Women, War and Wages: The Effect of Female Labor Supply on the Wage Structure at Mid-Century" Journal of Political Economy, 2004.

Wage Structure: Education, Human Capital

CCZ Ch4.

Angrist, J., & Krueger D. (1991) "Does Compulsory School Attendance Affect Schooling and Earnings?" Quarterly Journal of Economics, 1991.

Card, David, "The Causal Effect of Education on Earnings," Chapter 30 in Handbook of Labor Economics Volume IIIA, O.C. Ashenfelter and D. Card (eds.), North Holland, 1999.

Oreopoulos, Philip, "Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws Really Matter," American Economic Review, 96, 152-75, 2006.

Wage Structure: Discrimination

CCZ Ch8.

Lang, K., & Manove, M., "Education and Labor Market Discrimination," American Economic Review, 2011.

O'Neill, J., & O'Neill, D., "What Do Wage Differentials Tell Us About Labor Market Discrimination?" Research in Labor Economics, 2006.

Unemployment: Search Models

CCZ Ch5.

Lalive, R., van Ours, J., & Zweimuller, J., "How Changes in Financial Incentives Affect The Duration of Unemployment," Review of Economic Studies, 2006.

Shimer, Robert & Iván Werning, “Reservation Wages and Unemployment Insurance,” Quarterly Journal of Economics, 122, 1145-85, 2007.

Unemployment, Nonparticipation and Search-Matching Equilibrium

CCZ Ch5 (continued), Ch9.

Jones, Stephen R.G., & W. Craig Riddell, “The Measurement of Unemployment: An Empirical Approach,” Econometrica, 67, 147-62, 1999.

Jones, Stephen R.G., & W. Craig Riddell, “Unemployment, Marginal Attachment and Labour Force Participation in Canada and the United States,” 2016.
http://conference.nber.org/confer/2016/PPCf16/Jones_Riddell.pdf

Lange, Fabian, Kory Kroft, Matthew J. Notowidigdo, & Matthew Tudball, “Long Time Out: Unemployment and Joblessness in Canada and the United States,” 2016.
http://conference.nber.org/confer/2016/PPCf16/Kroft_oct18_2016.pdf

Unions and Collective Bargaining

CCZ Ch7.

Lawson, Nicholas, “Is Collective Bargaining Pareto Efficient? A Survey of the Literature,” Journal of Labor Research, 32, 282-304, 2011.

DiNardo, John, & David S. Lee, “Economic Impacts of New Unionization on Private Sector Employers: 1984-2001,” Quarterly Journal of Economics, 119, November 2004.