

# ECO 518: Labor Economics and Relations

## Spring 2020

*DePaul University - Department of Economics*

**Time:** Asynchronous

**Room:** Online

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### **Office Hours:**

Thursday 3:00pm-5:00pm (via phone or zoom)

Or, by appointment -- though I am rarely far from email

### **Course Description:**

Labor economics is the study of choices and outcomes in the labor market - both at the individual level (supply) and the firm-level (demand). For a long time, the field focused more on individuals and less on firms, but that is changing due to a growing recognition that labor demand is changing. In studying these topics, labor economics contains a healthy mix of theory and empirical analysis, which are both used to describe trends in the labor market, understand the causes of these trends, and assess policy proposals that seek to remedy potential problems that arise in the labor market. This interaction between theory and empirical work (each informing the other) is an essential element of the field.

The goals of this course is to introduce you to the main topics in labor economics, give you a framework to analyze major trends in the labor market, give you a background to read tables and understand empirical results, and to give you the opportunity to combine these methods and address a topic of your interest. While the topics in the course are labor-oriented, my hope is that skills developed will be more broadly applicable.

### **Textbooks:**

- Ronald Ehrenberg and Robert Smith, *Modern Labor Economics*, Pearson Addison Wesley
- Angrist and Pischke, *Mostly Harmless Econometrics*, Princeton University Press.
- All other assigned readings will be available on D2L.

### **Assessment of Students:**

Problem Sets (4):	20%
Take Home Thinking Opportunity:	25%
Power Point Presentation Slides for Paper:	10%
Paper:	30%
Discussion Question/Responses:	15%

### **Assignments:**

**Problem Sets:** There will be five problem sets in this course, which are designed to reinforce the theoretical models we develop in class, give students practice with applying these models to analyzing conditions in the labor market, and familiarize students with analyzing data and

engaging in empirical analysis. The first two objectives will help students prepare for the in-class thinking opportunity. The empirical exercises will help prepare the students for the final paper in the course. These problem sets will require the use of statistical software. I will emphasize Stata, but you are welcome to use other statistical packages if you would like.

**Discussion Questions:** There will also be at least four sets of responses that students will need to submit in response to the discussion questions that I post. These questions will focus on the course readings, will be due prior to when I post the online notes, and will take the place of in-class discussions.

**Take Home Thinking Opportunity:** There will be one take-home examination, aka a thinking exercise. This tests will focus much more on the theoretical and empirical models discussed in class as opposed to the empirical exercises conducted in the problem sets.

**Paper:** The paper is the major assignment of the course. It should be 10 to 15 pages; and is due at 6pm on Thursday 6/11/20. Your grade on the paper will be based upon your ability to: raise a question, explain why it is interesting/important, ground it in a literature, present an economic framework for analyzing the question, propose an empirical framework and data to answer the question, and execute an econometric analysis of the data. Of course, your writing matters too - there is nothing gained by having the best idea in the world if you cannot communicate it to others.

The following outline should help you organize your paper:

- 1) Introduction (Describe the research question and why it is important; 1-2 pages.)
- 2) Literature Review (Explain what other people have said on the topic and how they approached the question; approximately 1-2 pages.)
- 3) Economic Model or Theoretical Approach (Describe the theoretical framework guiding your question; approximately 1-3 pages)
- 4) Econometric Specification (Describe what equation you would like to estimate, how it is consistent with your theoretical model, and how the results of the estimation will help you answer your question; approximately 1-2 pages)
- 5) Data (Describe the data you would use to estimate your econometric specification approximately 2-3 pages with tables)
- 6) Empirical Results (present empirical results in words and tables; 3-5 pages)
- 7) Conclusion (summarize your question, approach, and why you are asking it; 1 page)

I suggest you use one of the provided topics, but students can pursue other topics if they so choose. More details to follow.

Students will also be required to provide the power point slides about their paper as if they were going to present the topic to the class. The power point slides will be due one week before the actual paper is due.

**Important Dates:**

Problem Set #1:	April 16 <sup>th</sup>
Problem Set #2:	April 23 <sup>rd</sup>
Take-home Thinking Exercise #1:	May 7 <sup>th</sup>
Problem Set #3:	May 21 <sup>st</sup>
Problem Set #4:	May 28 <sup>th</sup>
Paper Presentations:	June 4 <sup>th</sup>
Paper Due:	June 11 <sup>th</sup> (6pm)

**Syllabus:****Section I: Labor Supply and Labor Demand****Week 1: Introduction & Trends in Male and Female Labor Supply**

- Topics:
- Course Introduction
  - Trends in male and female labor supply & Explanations
- Intro Readings:
- "Who Wears the Pants in This Economy?" New York Times, September 2, 2012
  - "The Weaker Sex"
  - Ehrenberg and Smith, Ch. 1
- Labor Supply Readings:
- Theory of Labor Supply Handout
  - Ehrenberg and Smith, Ch. 6-7

**Week 2: Econometrics Review, Testing Theories of the Rise in Women's Labor Force Participation, & Expanding the Basic Labor Supply Model**

- Topics:
- Causal Analysis with Sample Selection
  - Interpreting Regression Results
  - Home Production Model
- Readings:
- Angrist and Pischke, Ch 1, Ch 2, and Ch 3 (only pp. 51-68).
  - "Engines of Liberation," Greenwood et al., 2005.

**Week 3: Wages, Human Capital, and the Returns to Education**

- Topics:
- Intertemporal Decisions and Investments in Education
  - Instrumental Variables/ STATA Work
- Readings:
- Ehrenberg and Smith, Ch 9
  - Angrist and Pischke, Ch 4
  - David Card, "The Causal Effect of Education on Earnings," Handbook of Labor Economics, 1999.

#### **Week 4: Labor Demand and the Decline in Unionization**

- Topics:
- Basic Model of Labor Demand
    - Short-run vs. Long-run and Heterogeneous Labor
  - The Effects of Unions
  - Difference-in-difference estimates using right-to-work laws

- Readings:
- Ehrenberg and Smith, Ch. 3 and Ch. 4
  - Barry Hirsch, "Sluggish Institutions in a Dynamic World: Can Unions and Industrial Competition Coexist," *Journal of Economic Perspectives*, 2008.
  - Angrist and Pischke, Ch 5

#### **Week 5: The Rise in Earnings Inequality**

- Topics:
- Measuring Inequality & Trends
  - Understanding the underlying Causes of Rising Income Inequality

- Readings:
- Autor, Katz and Kearney, "Trend in U.S. Wage Inequality: Revising the Revisionists" *Review of Economics and Statistics*, 2008.
  - Ehrenberg and Smith, Ch. 15.
  - Sherwin Rosen, "The Economics of Superstars," *American Economic Review*, 1981.

#### **Week 6: The Costs of Unemployment**

- Topics:
- Types of Unemployment
  - Micro and Macro Effects of Unemployment

- Readings:
- Ehrenberg and Smith, Ch. 14
  - Stephen David and Til von Wachter, "Recessions and the Costs of Job Loss," *Brookings Paper on Economic Activity*, 2003.
  - Basic Search Models

#### **Week 7: Geographic Mobility & Local Labor Markets**

- Topics:
- Mobility, Barriers to Mobility, and Spatial Mismatch
  - Productivity and Real Estate Markets
  - Local Multipliers

- Readings:
- Ehrenberg and Smith, Ch. 10.
  - Moretti, Enrico. "Local Labor Markets," *Handbook of Labor Economics*, 2010.

### **Week 8: Immigration & the Labor Markets**

Topics:                   • Substitutes and Complements  
                              • Empirical Identification

Readings:               • Card and Borjas Articles  
                              • Ehrenberg and Smith Ch. 10

### **Week 9: The Economics of Discrimination**

Topics:                   • Discrimination in the Labor Market

Readings:               • Race and Gender in the Labor Market, Altonji and Blank, 1999  
                              • Ehrenberg and Smith, Ch. 12

### **Week 10: Paper Workshops**

### **Additional Expectations:**

**Academic Integrity:** Work done for this course must adhere to the University Academic Integrity Policy, which you can review in the *Student Handbook* or by visiting Academic Integrity at DePaul University (<http://academicintegrity.depaul.edu>).

**Respect:** The classroom is a place for learning. This is best achieved by asking questions, thinking out loud, and even making mistakes. Please treat all of your classmates with respect - we will all struggle at some point or another. If anyone has concerns about the behavior of other people in the class, come see me.

**Timeliness:** All assignments are due as posted in this syllabus. If you foresee a problem with a due date (or midterm date), see me in advance and I may grant you an extension. All unapproved late submissions will be marked down.

**Disability:** Students with disabilities that require additional time on exams or other efforts, must let me know in advance.