Department of Economics and Finance

ECON*6600
Labour Economics
Fall 2013

Professor: Dr. Louise A. Grogan
Office Hours: 2pm Mondays

It is your responsibility as a student to be aware of and to abide by the University's policies regarding academic misconduct, e-mail communication, maintaining copies of out-of class assignments, what to do when you cannot meet a course requirement and the drop date for this semester. To better understand these policies, visit:

http://www.uoguelph.ca/economics/node/1115

Course Description:

The purpose of this course is to familiarise graduate students with empirical techniques, statistical packages, new data sets and theoretical ideas which are currently widely used in applied microeconomics. To this end, we will discuss the main theoretical and empirical tools employed by labour economists, public economists, development economists and business economists interested in the labour market.

There is no textbook for the course. Readings will be assigned on a weekly basis, and will generally consist of simple descriptive articles from academic journals. Key topics to be discussed include: explanations for trends in earnings inequality in industrialised and developing countries, evaluating returns to education, and pay-for-performance. We will use the STATA statistical package to work with income and labour market data from Canada and other countries. Labs will be held bi-weekly, as part of regular classes, to ensure dissemination of these technical skills.

Grading:

We will have two midterm exams (20% each, with take-home exercise components), one project with presentation (25% written, 5% presentation), and one final exam (30%).

Midterm Examination Dates: in- lass on Monday October 21[st in] , in class on Monday November 18th.
Project Due Date: Monday Nov. 25th 2013.

TOPICS TO BE COVERED:

Weeks 1-3: Earnings Functions and Inequality Measurement

Mincerian earnings functions.
`Lemieux, Thomas (2000) "The Mincer Equation" Thirty Years after Schooling`
`Experience and Earnings, Ch. 11 in Handbook of Labour Economics`

Measuring changes in the wage structure and inequality since the 1980s using census data.

Introduction to STATA and simple programming in STATA for examining wages and inequality.

Construction of synthetic panels to measure income mobility.

Atkinson, T. Income Inequality and the Welfare State in a Global Era. Douglas Gibson Lecture, Queen's School of Policy Studies, 2002

F. Ferreira, J. Messina, J. Rigolini, L. Lopez-Calva, M. Lugo, and R. Vakis (2012). Mobility within generations. Ch. 3 of World Bank Report *"Economic Mobility and the Rise of the Latin American Middle Class"*.

0.Ashenfelter and S.Jurajda (2001) Cross-country comparisons of Wage Rates: The Big Mac Index

Nichole Fortin and Thomas Lemieux (1997) "Institutional Changes and Rising Wage Inequality: Is there a linkage?" Journal of Economic Perspectives.
David Autor (2010) "The Polarisation of Job Opportunities in the US Labor Market" The Hamilton Project.

Weeks 4 and 5: Introduction to labour supply issues.

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. 1099-1124

Weeks 6-7: Signaling theory of education versus human capital. Optimal schooling choices. Returns to human capital in Canada and other countries.

Michael Spence (1973) Job Market Signaling. Quarterly Journal of Economics vol. 87 Issue 3. pp. 355-374.

Weeks 8-9: Worker training. General vs. job-specific training. Worker training and the business cycle.

Jorn-Steffen Pischke "Labor Market Institutions, Wages and Investment: Review and Implications" CES Info Economic Studies, Vol. 51, 47-75.

Daron Acemoglue and Jorn-Steffen Pischke (1999) "Beyond Becker: Training in Imperfect

Labour Markets". Economic Journal vol. 109 (Feb.) F112-F142.

Weeks 10-11: Productivity and Pay-for-Performance

Lazear, E. P. (1999). Performance pay and productivity. American Economic Review, 90: 1346–

1361.

Cadsby, Song and Tapon (2007) "Sorting and Incentive Effects of Pay-for-Performance: An
Experimental Investigation," Academy of Management Journal, Vol. 50, No. 2, 387-405.

Bandiera, Barankay and Rasul (2006) "The Evolution of Cooperative Norms: Evidence from a
Natural Field Experiment" *Advances to Economic Analysis & Policy, special issue on Field
Experiments.*

Week 12: Presentation of student projects and review for final exam

You will be asked to complete an evaluation for this course sometime during the last two weeks
of classes. The Department of Economics policy regarding the conduct and use of these
evaluations can be found at:

http://www.uoguelph.ca/economics/academics/courses/course-evaluation

In keeping with the University's Learning Outcomes, the Department of Economics and Finance *Learning Outcomes* (*skills* and *knowledge* competencies) for this course are:

Skills:
1)   *Written Communication:* There is a project worth 30% which will give students the opportunity to enhance their written scientific communications skills.

2.)   *Numerical Problem Solving***: S**hort answer problems on the two midterms and final will test basic computation skills, as well as understanding of statistical techniques.

3) *Analytical Problem Solving*: Much of the course uses graphical and statistical analysis to **demonstrate, estimate** and **interpret** various microeconomic models of behaviour. Students will be able to write simple do-files in STATA to test the economic theories we discuss, and to use statistical techniques for examining earnings inequality trends.
4) *Problem solving in a Real World Context*: Students will **apply** the content of the course to current questions in labour economics when they write their projects and in exams. The midterm and final exam questions will be applicable to current labour market and applied econometrics problems, and marking will reward normative arguments with theoretical substantiation.
5) *Professional and ethical awareness and conduct.* Students will complete each of the two short written assignments themselves. Any external references should be properly cited and bibliographically referenced.

Knowledge:
1) *Microeconomic Modeling*: As this is the first graduate-level course in labour economics, the student must learn to apply standard microeconomic analysis to labour supply, income inequality and strategic personnel questions.
2)   *Understanding of Specific Markets*: Students will understand how to measure returns to skill, inequality, and time use.

3) *Historical and Global context*: The project, midterm, and final exam will require students to interpret **research** papers read during the course. The two midterms and final exam will ask students to **construct** an argument about a labour economics question from economic theory and to **formulate** potential solutions to incentive problems. Economic explanations for trends in income inequality over time within the US and across countries should be understood.
4) *Economic Policy and Regulation*: The role of government is significant in the labour market, perhaps more so than in any other market. Students must **understand** how changes in labour market regulations influence the incentives and constraints of both employers and workers, ,and influence economic inequality.