



## Department of Economics Course Outline

<b>Course:</b>	Economics Econ 633 Labour Markets]	<b>Term:</b>	Winter 2012
<b>Time:</b>	F 08:30 – 11:30	<b>Section:</b>	01
<b>Instructor:</b>	Ana Ferrer	<b>Place:</b>	SS 843 (subject to change)
<b>Office:</b>	SS422	<b>Telephone:</b>	403-2205602
<b>Office Hours:</b>	TBA	<b>E-mail:</b>	aferrer@ucalgary.ca

**Textbook(s):** None

**Book(s) on Reserve:** Detailed schedule forthcoming.

### Course Description and Objectives;

This is a course in labour economics at the graduate level designed to study some aspects of labour markets using both microeconomic theory and empirical evidence. An important part of the course will focus on the empirical research methodology that is now applied beyond the traditional boundaries of labour economics into public economics, the economics of crime, the economics of education, the economics of immigration, etc.

### Course Outline:

There is no single book that covers the material for the entire course, rather there are various textbooks, listed below that focus in particular sections of the course. Students who have no preparations in labour economics or who desire a simple review of topics should consult:

- Benjamin, Gunderson and Riddell, Labor Market Economics (6<sup>th</sup> Editions) McGraw Hil 2007.

In addition the Handbooks of Labour Economics contain excellent comprehensive surveys of the topics covered; many of which are suggested readings below

- Ashenfelter O.C. and D. Card, editors, Handbook of Labour Economics, North Holland, vol. IIIA, B and C. 1999.

- Ashenfelter O.C. and R. Layard, editors, Handbook of Labour Economics, North Holland, vol. I and II. 1986.

The readings listed in each of the following sections comprise excellent surveys and seminal papers that we will use to frame the discussion of specific papers (a detailed reference list of these will follow)

(\* *required reading*)

### **Introduction. Facts and Data**

What is interesting? How do we approach an empirical problem? This section will present you with empirical strategies in labour economics that can be applied to many other areas of economic analysis. The papers we will review here have to do more with identifying the nature of a problem and less with the technicalities surrounding its resolution. They will also set some examples about strategies and data that have proved useful in empirical problems.

Becker, G. The Economic Approach to Human Behaviour, pp.3-14

Angrist, J.D. and Krueger, A.B. (1999) "Empirical Strategies in Labour Economics", in Ashenfelter O.C. and D. Card, editors, *Handbook of Labour Economics*, North Holland, vol. IIIA, 1999.

- (\* DiNardo, J. and J.S. Pischke (1997) "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics*, vol. 112 pp. 291-303
- (\* Donohue, J. and Levitt, S. (2001) "The Impact of Legalized Abortion on Crime", *Quarterly Journal of Economics*, vol. 116, n2. pp. 379-420
- (\* Bertrand, M. and Mullainathan, S. (2004) "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination" *American Economic Review*, 94(4) pp. 991-1013
- (\* Lemieux, T. and Milligan, K. (2004) "Incentive Effects of Social Assistance: A Regression Discontinuity Approach", *NBER Working Paper # 10541*
- (\* Drolet, M. "The Male-Female Wage Gap" *Perspectives on Labour and Income*, December 2001, pp.5-10, Statistics Canada # 75-001-XIE

### **Labour Supply and Participation**

What influences the decision to participate in the labour market? Do these decisions vary by gender? This section will review empirical and theoretical issues surrounding labour supply and participation.

Killingsworth M. Labour Supply, Cambridge University Press 1983, Chapter 1-2

- Killingsworth M. and J. Heckman (1986) "Female Labour Supply: A Survey", in Ashenfelter O.C. and R. Layard, editors, *Handbook of Labour Economics*, North Holland, vol. I, 1986, chapter 2.
- (\* ) Mroz, T. (1987) "The sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions", *Econometrica*, vol. 55, pp 765-799.
- Pencavel, J. "Labor Supply of Men" in Ashenfelter O.C. and R. Layard, editors, *Handbook of Labour Economics*, North Holland, vol. I, 1986, pp 26-50.
- (\* ) Baker, B., Gruber, J. and Milligan, K. "Universal Childcare, Maternal Labour Supply and Family Well-being" *JPE* vol 116(4), 2008. <http://www.nber.org/papers/w11832>
- (\* ) De V. Cavalcanti, T. (2008). "Assessing the "engines of liberation": home appliances and Female Labor force participation" *Review of Economics & Statistics*, 90(1), 81-88. Retrieved from EBSCOhost.

### **Human Capital: Schooling and the Mincer Wage Equation**

Does schooling influence earnings? How can we be sure that we are measuring the pure influence of education on earnings and not something else like innate ability or parental background? Does education increase productivity or does it reflect a signaling effect? This section reviews theoretical and empirical aspects of the human capital decision and its relationship to wages. This is one of the most proliferative areas in labour economics. It has raised many econometric problems and produced a vast quantity of empirical research destined to solve it. We will review some of these techniques here.

- Becker, G. (1964) "Human Capital: A theoretical and Empirical Analysis" Columbia University Press
- Mincer, J. (1974) "Schooling, Experience and Earnings" Columbia University Press for NBER.
- Spence (1973) "Job Market Signaling" *Quarterly Journal of Economics* 87
- Weiss A. (1995) "Human Capital versus Signaling Explanations of Wages", *Journal of Economic Perspectives* 9:133-54
- (\* ) Card, D. (1999) "The Causal Effects of Education on Earnings" in Ashenfelter O.C. and D. Card, editors, *Handbook of Labour Economics*, North Holland, vol. IIIA, 1999, chapter 27
- (\* ) Ferrer and Riddell (2002). "The Role of Credentials in the Canadian Labor Market". *Canadian Journal of Economics*, November 2002; 35(4): 879-905
- (\* ) Oreopoulos, P. (2005) "Estimating Average and Local Average Treatment Effects if Education when Compusory Laws really Matter" *American Economic Review*

### **Labour Market Discrimination**

What we can and cannot learn about labour market discrimination? Is there a way to measure discrimination? We will briefly review the theoretical ideas that will help us to frame and interpret an econometric model of discrimination.

Becker, G. The Economics of Discrimination, University of Chicago Press 1957.

Altonji, J. and Blank, R. "Race and Gender in the Labour Market" in Ashenfelter O.C. and D. Card, editors, *Handbook of Labour Economics*, North Holland, vol. 3C, 1999, chapter 48.

Oaxaca (1973). "Male-Female wage differentials in urban labor markets", *International Economics Review* 14 (October) pp 693-709

- (\*) O'Neill, J. and O'Neill, D. "What do Wage Differentials Tell Us about Labour Market Discrimination?" NBER working paper 11240 (april 2005)

Baker and Fortin (2001) "Occupational Gender Composition and Wages in Canada" *Canadian journal of Economics* 34: 345-76

- (\*) Baker, Michael & Marie Drolet, 2010. "A New View of the Male/Female Pay Gap," *Canadian Public Policy*, University of Toronto Press, vol. 36(4), pages 429-464,

### **Immigration**

Does immigration hurt the economy? How quickly do immigrants assimilate in the host country? This section offers insight into the empirical answers to these questions.

Borjas (1999) "*The Economic analysis of Immigration*" in Ashenfelter O.C. and D. Card, editors, *Handbook of Labour Economics*, North Holland, vol. IIIA, 1999.

- (\*) Borjas, G. "The Labour Demand Curve is Downward sloping: Reexamining the Impact of Immigration on the Labour Market" *Quarterly Journal of Economics* 118(4), November 2003.

- (\*) Card, D. "*The Impact of the Muriek Boatlift on the Miami Labour Market*" Aspects of Labor Market Behavior: Essays in honor of J. Vanderkamp Toronto University Press

- (\*) Ferrer, Green and Riddell (2005) "The Effect of Literacy on the Earnings of Immigrants" *The Journal of Human Resources* vol. (Spring 2006) pp.39

Worswick, C. (1999). "Credit Constraints and the Labour Supply of Immigrant Families in Canada". *CJE* vol 32, issue 1 pp. 152-70.

### **Institutions (Tentative)**

Do minimum wages affect employment? Do Unions contribute to income inequality? Does the private provision of family friendly benefits affect work-family conflict? Do labour market institutions affect the distribution of wages? What about fertility? Does publicly provided

housing affect children outcomes? In this section we will look at econometric evidence from the effects of institutions on labour outcomes? Some of these topics have a well established body of literature, like the study of unions or minimum wages; other topics are much less explored from an empirical economic perspective. Our focus will be both on the economic interest of the problem and on the empirical methodology used to study it.

- (\* ) Kuhn, P. “Unions and the Economy: What We Know, What We Should Know” *Canadian Journal of Economics* 31 (November 1998), pp. 1033-1056.
- (\* ) DiNardo, J., N. Fortin, and T. Lemieux, “Labour Market Institutions and the Distribution of Wages, 1973-1992: A Semiparametric Approach”, *Econometrica*, vol. 64 (Sept. 1996), pp. 1001-44.
- (\* ) Green, D. and Goldberg, M., 1999, “Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada”, Canadian Centre for Policy Alternatives
- Ferrer, A. and Gagne L. (2006) “The Use of Family Friendly Workplace Practices in Canada”, IRPP Working Paper 2006-02
- Adsera, A. (2005) “Where are the Babies: Labour Market Conditions and Fertility in Europe” IZA Discussion Paper 1576
- Ferrer, A. and Gagne (2006) "Housing, Neighbourhoods and Canadian Children's Development Outcomes" *Canadian Public Policy*, 32(3)
- Katz, L. and Autor, D. “Changes in the Wage Structure and Earnings Inequality” in Ashenfelter O.C. and D. Card, editors, *Handbook of Labour Economics*, North Holland, vol. IIIA, 1999.
- Schirle. T. “Income Inequality Among Seniors in Canada: The Role of Women's Labour Market Experience” CLSRN working paper Dec 09

### **Grade Determination and Final Examination Details:**

- \* **Empirical assignments (4).** Assignments will account for 60% of your grade (15% each)
- \* **Final Evaluation 40%:** Final evaluation will take the form of a final exam (MA students) or an in class presentation (PhD students). Final details will depend on the class composition.

Tests and final exams are marked on a numerical (percentage) basis, then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will generally apply:

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

Non-programmable calculators MIGHT BE allowed during the writing of tests or final examinations.

There might be a departmental scheduled final examination, lasting 2 hours.

Tests and exams WILL NOT involve multiple choice questions.

**Notes:**

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class.
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.

Safewalk / Campus Security: 220-5333  
Emergency Assembly Location – Professional Faculties Food Court  
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2011-11-15