

Economics 482  
Labor and the Economy  
Fall 2006

Professor R. L. Oaxaca  
McClelland 401QQ  
Office Hours: Tues. 1-2 p.m ,  
Th. 3:30-4:30pm or by appointment

## SYLLABUS

The objective of this course is to provide the student with a rigorous treatment of the empirical applications of economic theory to labor market problems and issues. Topics to be covered include labor market structure, labor demand, minimum wages, job search models, labor market discrimination and unemployment. This course will emphasize computer methods and internet tools.

**Prerequisites:** Econ 276 or 339, Econ 361, and elementary calculus.  
(Math 124, 125, or 113 are calculus pre-reqs for Econ 361)  
Basic statistical methods and calculus will be used in the course.

Text: Ehrenberg & Smith, *Modern Labor Economics*, 9th ed., 2006  
Notes: Econ 482 Class Materials and Notes

Class materials and notes for this course will be available for downloading from the following website: <http://www.u.arizona.edu/~rlo/>. Once you have arrived at the website just click on the label "Teaching". The website may also be accessed by following the links from the UofA website <http://www.arizona.edu> to the Eller College of Management, Department of Economics. You will want to have your own portable computer storage device (i.e. a flash drive).

In addition to the two midterm exams and an optional final exam, students will be responsible for completing take-home problem sets, preparing a research proposal, writing a semester research paper, and being prepared for class discussions.

Please consult the webpage for the course to read the statement on plagiarism.

Classroom Etiquette - Please remember to turn off cell phone ringers and refrain from leaving the room and returning during class and exams.

## COURSE POLICIES & REQUIREMENTS

### I. Class attendance and participation

- A. Excessive absences may result in an administrative drop with the grade of E.
- B. Students will be called upon in class to answer questions pertaining to concepts covered in class and to take-home problem assignments.

### II. Exams

#### A. Schedule

1. Midterm Exam #1 - Thursday, October 5, 2006
2. Midterm Exam #2 - Thursday, November 30, 2006
3. Optional Final - Tuesday, December 12, 2006 (11 a.m.– 1 p.m.)

- B. Optional Final - Students who wish to decline the opportunity to take the final exam must be in class on Tuesday, December 5, 2006, to fill out and sign a final exam waiver form; otherwise, the final exam is mandatory.

#### C. Missed exams

1. Exams will be given during scheduled class hours, thus there should be no excuse for missing them.
2. Failure to show for an exam will result in a score of zero for that exam.

- D. All exams will be closed book, however the use of calculators is permitted.

### III. Determination of the Final Course Grade

#### A. Total points possible.

	No Final	Optional Final
Class Participation	25	25
Research Paper Prospectus	50	50
Research Paper	100	100
Midterm Exam #1	150	150
Midterm Exam #2	175	175
(Optional) Comprehensive Final		100
Total Points	<hr/> 500	<hr/> 600

#### B. Guidelines for letter grades assignments

Grade	No Final	Optional Final
A	455 <sup>+</sup>	546 <sup>+</sup>
B	405–454	486–545
C	335–404	402–485
D	300–334	360–401
E	0–299	0–359

## IV. Research Paper Requirements

- A. Students may work together in groups of 3 or less on the research proposal and paper, i.e. no more than 3 names may appear on a completed assignment.
- B. Research Prospectus and take-home research method assignment
  1. The research prospectus is a 3 to 5 page printed, double-spaced proposal for the empirical term research paper. Acceptable topics are those covered in the course. *Please consult the course syllabus.* The prospectus must contain the following:
    - a. a discussion of the proposed topic of the paper
    - b. the methods to be used in the empirical analysis (e.g. possible specification of the empirical model, types of calculations that will be done)
    - c. identification of the data sources to be used (attach a print out of the data or at least of a subsample)
    - d. a working bibliography of published research work in economics relevant to the topic
  2. The prospectus is due no later than **Tuesday, October 3** and will not be accepted after this date.
  3. A take-home problem set illustrating the empirical methods applicable to the research paper will be assigned. If turned in by **Thursday, September 14** the problem set will be worth up to **15** extra credit points. If not turned in by **September 14**, the problem set will become part of the research prospectus assignment and will count for 30 percent of the grade on the prospectus.
- C. Term Research Paper
  1. The term research paper assignment requires the use of the computer in conducting a small-scale empirical study of some aspect of the topics covered in the course. This will involve statistical estimation of some equation(s) representing labor market behavior.
  2. The length of the paper should be between 15 and 30 double-spaced, type-written pages.
  3. The term research paper is due no later than **Friday, December 1** and will not be accepted after this date.
  4. The paper must contain the following
    - a. Introduction and survey of the relevant literature (published research work in economics relevant to the topic)
    - b. Discussion of the model to be estimated
    - c. Presentation and discussion of the empirical results
    - d. Summary and conclusions
    - e. Footnotes and bibliography
    - f. Data appendix (computer printout of data used and equations estimated)
  5. Students are free to use any statistical computer program and system that are convenient.

- a. The Student version of the Soritec Econometrics program can be accessed at the Sands Computing Lab (McClelland 135). This software is also available for a nominal fee. For ordering details see the Full Information System, Inc. web site at <http://fisisoft.com/>.
- b. The Excel spreadsheet and STATA programs are available at the Sands Computing Lab (McClelland 135).

## COURSE OUTLINE AND READING LIST

### I. Introduction

#### A. Background

Ehrenberg and Smith text: Chapter 1 and Appendix 1A

Allen, Clark Lee. *Elementary Mathematics of Price Theory*

Eastman, Byron D. *Interpreting Mathematical Economics and Econometrics*

Salvatore, Dominick. Schaum's Outline Series: *Statistics and Econometrics*, Chapters 4 & 5.

#### B. Labor force concepts and data

Ehrenberg and Smith text: Chapter 2

National Commission on Employment and Unemployment Statistics. *Counting the Labor Force*. Washington, D.C.: U.S. Government Printing Office, 1979. pp. 1-20, 43-56.

Bureau of Labor Statistics, U.S. Department of Labor. "How the Government Measures Unemployment," in National Commission on Employment and Unemployment Statistics, *Counting the Labor Force: Readings in Labor Statistics*, Appendix , Vol III. pp. 78-95.

### II. Market structure and empirical analysis

#### A. Labor demand

Ehrenberg and Smith text: Chapter 3, Appendix 3A, Chapter 4 (pp. 93-107), and Chapter 5 (pp. 129-142).

Hamermesh, D.S. "Econometric Studies of Labor Demand and Their Application to Policy Analysis," *Journal of Human Resources* , 11 (Fall 1976)

#### B. Minimum wages

Ehrenberg and Smith text: Chapter 4 (pp. 107-115)

Cox, J.C. and Oaxaca, R.L. "The Political Economy of Minimum Wage Legislation," *Economic Inquiry*, 20 (October 1982).

Cox, J.C. and Oaxaca, R.L. "Opportunity Costs of the Minimum Wage," in *Research in Labor Economics*, Vol. 6, R.G. Ehrenberg, ed., 1984.

Cox, J.C. and Oaxaca, R.L. "Minimum Wage Effects with Output Stabilization," *Economic Inquiry*, 24 (July 1986).

Kosters, M. and Welch, F. "The Effects of Minimum Wages on the Distribution of Changes in Aggregate Employment," *American Economic Review*, 62 (June 1972).

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

David Neumark and William Wascher, "The Effect of New Jersey's Minimum Wage Increase on Fast-Food Employment: A Re-Evaluation Using Payroll Records," *American Economic Review*, Vol. 90, No. 5, December 2000.

### III. Labor compensation

#### A. Quasi-fixed labor costs

Ehrenberg and Smith text: Chapter 5 (pp. 145-152)

#### B. Employee benefits, contracts, and incentives

Ehrenberg and Smith text: Chapter 11.

### IV. Labor Market Discrimination

Ehrenberg & Smith, Chapter 12.

Ashenfelter, O. and Oaxaca, R.L. "The Economics of Discrimination Thirty Years Later: Economists Enter the Courtroom," *American Economic Review*, Vol.77 (May 1987).

Butler, R. and Heckman, J. "The Government's Impact on the Labor Market Status of Black Americans: A Critical Review," in *Equal Rights and Industrial Relations*, Hausman et. al., eds., Industrial Relations Research Association Series, 1977.

Oaxaca, R.L. "Male-Female Wage Differentials in Urban Labor Markets," *International Economic Review*, Vol. 14 (October 1973).

Oaxaca, R.L. "Male-Female Wage Differentials in the Telephone Industry", in *Equal Employment Opportunity and the AT&T Case*, P. A. Wallace, ed., 1976.

### V. Unemployment issues

#### A. Background

Ehrenberg and Smith text: Chapter 15

Ashenfelter, O. "What is Involuntary Unemployment?," *Proceedings of the American Philosophical Society*, 122, No. 3 (June 1978)

#### B. Unemployment Insurance

Oaxaca, R.L., and Taylor, Carol A. "Simulating the Impacts of Economic Programs on Urban Areas: The Case of Unemployment Insurance Benefits," *Journal of Urban Economics*, 19 (January 1986): 23-46

### C. Job Search

Ehrenberg, R.G., and Oaxaca, R.L. "Unemployment Insurance, Duration of Unemployment and Subsequent Wage Gain," *American Economic Review*, 66, (December 1976): 754-766.

Cox, J.C. and Oaxaca, R.L. "Laboratory Experiments with a Finite-Horizon Job-Search Model," *Journal of Risk and Uncertainty*, 2 (September 1989): 301-329.