

Economics 481
Economics of Wage Determination
Fall 2002

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McClelland 401QQ
Office Hours: Tu 1-2 p.m.
and Th 3:30-4:30 p.m.
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 supply, income maintenance, human capital, union effects on relative wages, and labor market discrimination. This course will emphasize computer methods and internet tools.

Prerequisites: Econ 339 or Econ 276, Econ 361, and elementary calculus.
Basic statistical methods and calculus will be used in the course.

Text: Ehrenberg & Smith, *Modern Labor Economics*, 8th ed., 2003
Notes: Econ 481 Class Materials and Notes

Class materials and notes for this course will be available for downloading from the following website: <http://crab.bpa.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 College of BPA, Department of Economics. You may want to have your own 3½ inch diskette or Zip disk.

In addition to a midterm exam and a 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.

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 practice take-home problems.

II. Exams

A. Schedule

- 1. Midterm - Thursday, October 10, 2002
- 2. Final - Tuesday, December 17, 2002 (11 a.m.– 1 p.m.)

B. Missed exams

- 1. Exams will be given during scheduled class hours, thus there should be no excuse for missing them.
- 2. A student may take an exam early if prior arrangements have been made with the instructor.
- 3. Failure to show for an exam will result in a score of zero for that exam.

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

III. Determination of the Final Course Grade

A. There are a total of 500 points possible.

Class Participation.....	25 points
Research Paper Prospectus.....	50 points
Research Paper	100 points
Midterm Exam	150 points
Final Exam.....	175 points

B. Guidelines for letter grades assignments

- A 455+
- B 405–454
- C 335–404
- D 300–334
- E 0–299

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 typewritten, double-spaced proposal for the term research paper. Acceptable topics are those covered in the course. Consult the course syllabus. The prospectus must contain a discussion of the topic of the paper, the methods to be used in the analysis, identification of the data sources to be used, and a working bibliography of published work in economics relevant to the topic.
 2. The prospectus is due no later than **Thursday, 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 26** the problem set will be worth up to **15** extra credit points. If not turned in by **September 26**, 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, typewritten pages.
 3. The term research paper is due no later than **Tuesday, December 3** and will not be accepted after this date.
 4. Outline of the paper to be followed
 - (a) Introduction and survey of the relevant literature (published 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 program is available at the Sands Computing Lab (McClelland 135) and at various campus computing labs.

COURSE OUTLINE AND READING LIST

I. Introduction

A. Background

Ehrenberg and Smith text: Appendix1A

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. Labor Supply

A. Static Labor Supply Model and laboratory tests

Ehrenberg & Smith, Chapter 6.

Battalio, et. al. "Labor Supply Behavior of Animal Workers: Towards an Experimental Analysis," in *Research in Experimental Economics*, Vol. I, V.L. Smith, ed., 1979.

Kagel, et. al. "Job Choice and Total Labor Supply: An Experimental Analysis," *Southern Economic Journal*, Vol. 44 (July 1977).

B. Estimation and application to income maintenance/welfare reform

Ashenfelter, O. and Heckman, J. "Estimating Labor Supply Functions," Chapter 7 in *Income Maintenance and Labor Supply*, G. Cain and H. Watts, eds., 1973.

Greenberg, D. and Kusters, M. "Income Guarantees and the Working Poor: The Effects of Income Maintenance Programs on the Hours of Work of Male Family Heads," Chapter 2 in *Income Maintenance and Labor Supply*, G. Cain and H. Watts, eds., 1973.

Pechman, J.A. and Timpane, P.M. *Work Incentives and Income Guarantees: The New Jersey Negative Income Tax Experiment*, 1975. pp. 1-14, 60-87.

Spiegelman, R.G. and Yaeger, K.E. "Overview" (The Seattle and Denver Income Maintenance Experiments), *Journal of Human Resources*, Vol. 15 (Fall 1980).

III. Human Capital

Ehrenberg & Smith, Chapter 9.

Becker, G.S. *Human Capital*, 2nd ed., 1975. Chapter 2, Chapter 3 (pp. 45-56, 71-135).

Burghardt, G. and Oaxaca, R.L. "Optimal Investment in Schooling: A Test of the Human Capital Model," 1979.

Mincer, J. *Schooling, Experience, and Earnings*, 1974. Chapters 1, 3, and 5.

IV. Wage Differentials

A. Compensating wage differentials

Ehrenberg & Smith, Chapter 8.

Olson, C.A. "An Analysis of Wage Differentials Received by Workers on Dangerous Jobs," *Journal of Human Resources*, Vol. 16, (Spring 1981).

B. Labor Market Discrimination

Ehrenberg & Smith, Chapter 12.

Ashenfelter, O. "Discrimination and Trade Unions," in *Discrimination in Labor Markets*, O. Ashenfelter and A. Rees, eds., 1973.

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. "Sex Discrimination in Wages," in *Discrimination in Labor Markets*, O. Ashenfelter and A. Rees, eds., 1973.

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.

C. Unionism and relative wages

Ehrenberg & Smith, Chapter 13.

Parsley, C.J. "Labor Unions and Wages: A Survey," *Journal of Economic Literature*, Vol. 18 (March 1980).

Oaxaca, R.L. "Estimation of Union/Nonunion Wage Differentials Within Occupational/Regional Subgroups," *Journal of Human Resources*, Vol. 10 (Fall 1975).

Oaxaca, R.L., and Ransom, M.R. "Searching for the Effect of Unionism on the Wages of Union and Nonunion Workers," *Journal of Labor Research*, Vol. IX (Spring 1988).