

Economics 482
Labor and the Economy
Spring 2012

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McClelland 401QQ
Office Hours: TR 2-3 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 market structure, labor demand, minimum wages, job search models, and labor market discrimination. This course will emphasize computer methods and internet tools.

Prerequisites: Econ/Mgmt 276 or Econ 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*, 11th ed., 2012
Notes: Econ 482 Class Materials and Notes

Class materials and notes for this course will be available for downloading from the following website: www.u.arizona.edu/~rlo/. Once you have arrived at the website just follow the links to Econ 482. The website may also be accessed by following the links from the UofA website 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 ungraded take-home problem sets, writing two research reports, and being prepared for class discussions.

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

Classroom Etiquette and rules - remember to turn off cell phones 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, March 1, 2012
- 2. Midterm Exam #2 - Thursday, April 26, 2012
- 3. Optional Final - Thursday, May 10, 2012 (10:30 a.m.– 12:30 p.m.)

- B. Optional Final - Students who wish to decline the opportunity to take the final exam must be in class on Tuesday, May 1, 2012, to 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. The use of cell phones, iPads, etc. are prohibited.

III. Determination of the Final Course Grade

A. Total points possible.

	No Final	Optional Final
Research Report #1	90	90
Research Report #2	90	90
Midterm Exam #1	160	160
Midterm Exam #2	160	160
(Optional) Comprehensive Final		100
Total Points	<hr/> 500	<hr/> 600

B. Guidelines for letter grades assignments

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

IV. Research report assignments

- A. Students may work together in groups of 3 or less on the research reports , i.e. no more than 3 names may appear on a completed report.
- B. Research report requirements
1. There will be two research reports required during the semester. Data for each assignment will be provided to the class.
 2. The research reports require the use of the computer in conducting small-scale empirical studies of two assigned topics. Students are expected to apply the theory and empirical methods presented in class. This will involve statistical estimation of equations representing labor market behavior.
 3. The research reports must contain the following.
 - a. An introduction and a brief summary of some of the relevant literature, i.e. published academic research in economics relevant to the topic.
 - b. Discussion of the model to be statistically estimated
 - c. Presentation, discussion, and interpretation of the empirical results, i.e. what do we learn from your study?
 - d. Summary and conclusions
 - e. Footnotes and references.
 - f. Computer printout of equations estimated
 2. The length of the reports should be around 8 to 10 double-spaced, typewritten pages.
 3. The first report will be due in class no later than **Thursday, February 23** and the second report will be due in class no later than **Thursday, April 19**. Reports will not be accepted for credit after these dates.
- C. Students are welcome to use any statistical computer program that is convenient.
1. Partial listing of available econometrics/statistical software programs suitable for this course: STATA, SAS and Excel are available at the Sands Computing Lab (McClelland 135).
 2. Instruction for the take-home extra credit assignment will be available for the STATA statistics/econometrics program. A student version of STATA is available for purchase for PC's and MAC's. For details go to www.stata.com.
- D. An extra credit, take-home problem set illustrating the empirical methods applicable to the research reports will be assigned. If turned in by **Thursday, February 2** in class, the problem set will be worth up to **15** extra credit points. If not turned in by **February 2**, the problem set will not be accepted for credit.

COURSE OUTLINE AND READING LIST

I. Introduction

A. Background

Ehrenberg and Smith text: Chapter 1 and Appendix 1A

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, Chapter 5 (pp. 127-143).

Ransom, M.R and Oaxaca, R.L. "New Market Power Models and Sex Differences in Pay", *Journal of Labor Economics*, Vol. 28, No.2 (2010): 267-289.

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. 108-116)

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. 143-151)

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. Job Search and Unemployment Insurance

Ehrenberg and Smith text: Chapter 14 (pp. 501-508, 519-523)

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

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.