

Economics 696I
Labor Economics II
Spring 2015

Professor R. L. Oaxaca
McClelland 401QQ
Office Hours: TR 1:30-3:00 p.m.,
or by appointment

SYLLABUS

This course is a graduate level seminar on topics selected from the field of labor economics. The objective of the seminar is to provide the student with a thorough understanding of the issues and methodological approaches to research in labor economics. This knowledge will be acquired through a critical review of the literature. It is hoped that the seminar will generate dissertation topics or further along the development of dissertations topics already in progress.

Recommended reference text: *Labor Economics*, Pierre Cahuc and André Zylberberg, MIT Press, 2004.

COURSE POLICIES & REQUIREMENTS

Throughout the semester seminar participants will be responsible for in-class presentation of assigned articles from the reading list. There will be two take-home empirical exercises that illustrate the application of econometric methods useful for research in labor economics. In addition students registered for credit will have a research paper requirement. The term research project entails a research proposal and a paper on a topic drawn from labor economics. Students will present in-class seminars on their proposed research and on their completed research projects. Class materials for this course will be available for downloading from the following website: www.u.arizona.edu/~rlo/.

I. Determination of the Final Grade in the Course

A. There are a total of 400 points possible:

Research Prospectus	20 points
Research Paper	200 points
Class Presentations	100 points
Class Participation	80 points

B. Letter Grade Guidelines

A	360+ points
B	320 - 359
C	260 - 319
D	220 - 259
E	0 - 219

II. Research Paper Requirements

A. Research Prospectus

1. The research prospectus is a 4 - 6 page, typewritten, double-spaced proposal for the term research paper. The prospectus should be a discussion of the topic of the paper, the methods to be used in the analysis, the data sources to be used, and a working bibliography.
2. To receive credit, the prospectus must be received no later than Friday, February 27.
3. Beginning on **Friday, March 6**, students will give presentations of their research proposals. These presentations should take about 10–15 minutes each.

B. Term Research Paper

1. To receive credit, the research paper must be received no later than **Friday, April 24**.
2. Beginning on **Friday, May 1**, students will present seminars on their research findings. These presentations will be around 15 - 20 minutes each. If needed, part of the final exam period can be used for these class presentations.

III. Take-home Empirical Exercises

- A. The first exercise will involve estimation of input demand functions with cross-equation restrictions and recovery of production function parameters.
 1. Delta and bootstrapping methods will be used to obtain estimated asymptotic standard errors.
 2. Details, including due date will be discussed in class.
- B. The second exercise will involve decomposition methodology
 1. Delta and bootstrapping methods will be used to obtain estimated asymptotic standard errors of decomposition components.
 2. Details, including due date will be discussed in class.

COURSE OUTLINE AND READING LIST

I. Labor Demand

A. Background

Daniel S. Hamermesh, *Labor Demand* (Princeton: Princeton University Press, 1993). Chapters 2, 3, 6, & 7.

Cahuc and Zylberberg, *Labor Economics*, Chapter 4.

Ronald L. Oaxaca, "Employment and Hours Notes", June 19, 2013.

B. Empirical Studies

Bell, David N. F. and Robert A. Hart, "Wages, Hours, and Overtime Premia: Evidence from the British Labor Market," *Industrial and Labor Relations Review*, Vol. 56, No. 3, April 2003, 470-480.

E. Berman, J. Bound, and Z. Griliches, "Changes in the Demand for Skilled Labor within U.S. Manufacturing: Evidence from the Annual Survey of Manufactures," *Quarterly Journal of Economics*, May 1994.

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

Daniel S. Hamermesh, "Labour Demand and the Source of Adjustment Costs," *Economic Journal*, 105, May 1995.

Katz, L.F., Murphy, K.M., "Changes in Relative Wages, 1963-1987: Supply and Demand Factors", *Quarterly Journal of Economics*, Vol. 107, February 1992, 35-78

Juhn, C. Murphy, K. M., Pierce, B., "Wage Inequality and the Rise in Return to Skill" *Journal of Political Economy*, Vol. 101, June 1993, 410-442.

Per Krusell, Lee Ohanian, and Jose-Victor Rios-Rull, "Capital-Skill Complementarity and Inequality: A Macroeconomic Analysis" *Econometrica*, 2000, 1029-1054.

Simona Lup and Ronald L. Oaxaca, "Technological Change and Gender Wage Gaps in the U.S. Service Industry," *Annales D'Économie et de Statistique*, (*Annals of Economics and Statistics*), Vol. 99/100, July/December 2010: 47-66.

M. I. Nadiri and S. Rosen, "Interrelated Factor Demand Functions," *American Economic Review*, September 1969.

II. Minimum Wages

A. Estimated Effects

C. Brown, C. Gilroy, and A. Kohen, "Time-Series Evidence of the Effect of Minimum Wages on Youth Employment and Unemployment," *Journal of Human Resources*, Winter 1983.

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.

R. Ehrenberg and A. Marcus, "A Multinomial Logit Model of Teenagers' Educational and Employment Outcomes," *Journal of Human Resources*, Winter 1982.

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

David Neumark and William Wascher, "Evidence on Employment Effects of Minimum Wages and Subminimum Wage Provisions from Panel Data on State Minimum Wage Laws," *Industrial and Labor Relations Review*, October 1992.

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.

Alison Wellington, "Effects of the Minimum Wage on the Employment Status of Youths: An Update," *Journal of Human Resources*, Winter 1991.

B. Political Economy

Orley Ashenfelter and Robert Smith, "Compliance with the Minimum Wage Law," *Journal of Political Economy*, April 1979.

James C. Cox and Ronald L. Oaxaca, "The Political Economy of Minimum Wage Legislation," *Economic Inquiry*, October 1982.

James C. Cox and Ronald L. Oaxaca, "Minimum Wage Effects with Output Stabilization," *Economic Inquiry*, July 1986.

III. Labor market discrimination

A. Theories

Baldwin et al. "A Hierarchical Theory of Occupational Segregation and Wage Discrimination," *Economic Inquiry*, 39(1), 2001: pp. 94-110.

Gary S. Becker, *The Economics of Discrimination* 2nd ed. (Chicago: University of Chicago Press, 1971).

Cahuc and Zylberberg, *Labor Economics*, Chapter 5.

Glen Cain and Dennis Aigner, "Statistical Theories of Discrimination," *Industrial and Labor Relations Review*, 30, January 1977: pp. 175-87.

Manning, Alan. 2003. *Monopsony in Motion*. Princeton: Princeton University Press.

Edmund S. Phelps, "The Statistical Theory of Racism and Sexism," *American Economic Review*, 62, September 1972: pp. 659-61.

Robinson, Joan. 1969. *The Economics of Imperfect Competition*. 2nd ed. London: Macmillan.

B. Decomposition Methodology

Alan S. Blinder, "Wage Discrimination: Reduced Form and Structural Estimates," *Journal of Human Resources*, Fall 1973.

Javier Gardeazabal and Arantza Ugidos, "More on Identification in Detailed Wage Decompositions," *The Review of Economics and Statistics*, Vol. 86, No. 4, November 2004, 1034-1036.

Juhn, Chinhui; Murphy, Kevin M.; Pierce, Brooks (1991). "Accounting for the Slowdown in Black-White Wage Convergence." AEI Studies, no. 520. Washington, D.C.: AEI Press; distributed by University Press of America, Lanham, Md.

Kline, Patrick, "A Note on Variance Estimation for the Oaxaca Estimator of Average Treatment Effects," *Economic Letters*, 122 (March 2014), pp. 428-431.

Machado, J. A. F. and Mata, J. "Counterfactual Decomposition of Changes in Wage Distributions Using Quantile Regression", *Journal of Applied Econometrics*, 20, No. 4, 2005, 445 - 465.

David Neumark, "Employers' Discriminatory Behavior and the Estimation of Wage Discrimination," *Journal of Human Resources*, Summer 1988.

Nguyen, et.al, "A Quantile Regression Decomposition of Urban-Rural Inequality in Vietnam" *Journal of Development Economics*, vol. 83(2), 2007, pp. 466-490

Hugo Ñopo, "Matching as a Tool to Decompose Wage Gaps," *The Review of Economics and Statistics*, MIT Press, vol. 90(2), 2008, pp. 290-299.

Ronald L. Oaxaca, "Male-Female Wage Differentials in Urban Labor Markets," *International Economic Review*, October 1973.

Ronald L. Oaxaca and Michael R. Ransom, "On Discrimination and the Decomposition of Wage Differentials," *Journal of Econometrics*, March 1994.

Ronald L. Oaxaca and Michael R. Ransom, "Calculation of Approximate Variances for Wage Decomposition Differentials", *Journal of Economic and Social Measurement*, vol. 24, no. 1, 1998.

Ronald L. Oaxaca and Michael R. Ransom, "Identification in Detailed Wage Decompositions," *Review of Economics and Statistics*, vol. 81, no. 1, February 1999.

Ronald L. Oaxaca and Shoshana Neuman, "Wage Decompositions with Selectivity-Corrected Wage Equations: A Methodological Note," *Journal of Economic Inequality* vol. 2, No. 1, April 2004, 3-10.

Regan, Tracy and R.L. Oaxaca, "Work Experience as a Source of Specification Error in Earnings Models: Implications for Gender Wage Decompositions", *Journal of Population Economics*, Vol. 22, No.2 (2009), pp. 463-499.

Shatnawi, Dina, Ronald L. Oaxaca, and Michael R. Ransom, "Movin' on Up: Hierarchical Occupational Segmentation and Gender Wage Gaps," *Journal of Economic Inequality*, forthcoming.

Sarnikar, Supriya, Todd Sorensen, and Ronald L. Oaxaca. "Do You Receive a Lighter Prison Sentence Because You are a Woman or a White? An Economic Analysis of Federal Criminal Sentencing Guidelines," *B.E. Journal of Economic Analysis & Policy*, Vol. 14, No. 1 2014, pp.1-54.

Suen, W. , "Decomposing Wage Residuals: Unmeasured Skill or Statistical Artifact?," *Journal of Labor Economics*, 15, July 1997, 555-566.

Myeong-Su Yun, "A Simple Solution to the Identification Problem in Detailed Wage Decompositions," *Economic Inquiry*, vol. 43, Oct 2005, 766 - 772.

C. Empirical Discrimination Studies

Francine Blau and Lawrence Kahn, "Swimming Upstream: Trends in the Gender Wage Differential in 1980's," *Journal of Labor Economics*, vol. 15, January 1997, 1-42.

David Dickinson and Ronald L. Oaxaca, "Statistical Discrimination in Labor Markets: An Experimental Analysis," *Southern Economic Journal*, Vol. 76, No. (1), pp. 16-31.

David Dickinson and Ronald L. Oaxaca, "Wages, Employment, and Statistical Discrimination: Evidence from the Laboratory", *Economic Inquiry*, Vol. 52, Issue 3 (October 2014), pp. 1392-1407.

James Heckman and Brook Payner, "Determining the Impact of Antidiscrimination Policy on the Economic Status of Blacks: A Study of South Carolina," *American Economic Review*, March 1989.

Joni Hersch, "Male-Female Differences in Hourly Wages: The Role of Human Capital, Working Conditions, and Housework," *Industrial and Labor Relations Review*, July 1991.

David Macpherson and Barry Hirsch, "Wages and Gender Composition: Why Do Women's Jobs Pay Less?," *Journal of Labor Economics*, July 1995.

Ronald L. Oaxaca and Michael R Ransom, "Using Econometric Models for Intrafirm Equity Salary Adjustments," *Journal of Economic Inequality*, vol. 1, No. 1, December 2003, 221-249.

Solomon W. Polachek and Moon-Kak Kim, "Panel Estimates of the Gender Earnings Gap: Individual-Specific Intercept and Individual-slope models," *Journal of Econometrics*, March 1994.

Michael R Ransom and Ronald L. Oaxaca "Intrafirm Mobility and Sex Differences in Pay," *Industrial and Labor Relations Review*, Vol. 58, No. 2, January 2005, 219-237.

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

Reimers, Cordelia , "Labor Market Discrimination against Hispanic and Black Men," *Review of Economics and Statistics*, November 1983.

Shatnawi, et. al, "Movin' on Up: Hierarchical Occupational Segmentation and Gender Wage Gaps", *Journal of Economic Inequality*, Vol. 12, Issue 3 (September 2014), pp. 315-338.

Sorensen, et.al, "Do You Receive a Lighter Prison Sentence Because You Are a Woman or a White? An Economic Analysis of the Federal Criminal Sentencing Guidelines", *BE Journal of Economic Analysis and Policy*, Vol. 14, No.1 (January 2014), pp. 1-54.

IV. Unemployment

A. Job Search

Cahuc and Zylberberg, *Labor Economics*, Chapter 3.

Burdett, Kenneth and Dale T. Mortensen, "Wage Differentials, Employer Size, and Unemployment," *International Economic Review*, vol. 39 no. 2, May 1998, 257-73.

James C. Cox and Ronald L. Oaxaca, "Laboratory Experiments with a Finite Horizon Job Search Model," *Journal of Risk and Uncertainty*, September 1989.

James C. Cox and Ronald L. Oaxaca, "Direct Tests of the Reservation Wage Property," *Economic Journal*, November 1992.

James C. Cox and Ronald L. Oaxaca, "Testing Job Search Models: The Laboratory Approach," *Research in Labor Economics*, vol. 15, 1996.

James C. Cox and Ronald L. Oaxaca, "Good News and Bad News: Search from Unknown Wage Offer Distributions," *Experimental Economics*, vol. 2, 2000, 197-225.

L. M. Kahn, "The Returns to Job Search: A Test of Two Models," *Review of Economics and Statistics*, 1978.

L. M. Kahn and S. A. Low, "An Empirical Model of Employed Search, Unemployed Search, and Nonsearch," *Journal of Human Resources*, Winter 1984.

Kiefer & Neumann, "An Empirical Job Search Model with a Test of the Constant Reservation Wage Hypothesis," *Journal of Political Economy*, February 1979.

Manning, Alan. *Monopsony in Motion*. Princeton: Princeton University Press, 2003.

B. Unemployment Insurance

Carl Davidson and Steven A. Woodbury, "The Displacement Effect of Reemployment Bonus Programs," *Journal of Labor Economics*, October 1993.

Paul T. Decker, "The Impact of Reemployment Bonuses on Insured Unemployment in the New Jersey and Illinois Reemployment Bonus Experiments," *Journal of Human Resources*, Summer 1994.

Paul T. Decker and Christopher J. O'Leary, "Evaluating Pooled Evidence from the Reemployment Bonus Experiments," *Journal of Human Resources*, Summer 1995

Ronald G. Ehrenberg and Ronald L. Oaxaca, "Unemployment Insurance, Duration of Unemployment and Subsequent Wage Gain," *American Economic Review*, December 1976.

Martin Feldstein, "Unemployment Compensation, Adverse Incentives, and Distributional Anomalies," *National Tax Journal* 37, 1974.

Martin Feldstein & James Poterba, "Unemployment Insurance and Reservation Wages," *Journal of Public Economics*, 1984.

Lawrence F. Katz and Bruce D. Meyer, "The Impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment," *Journal of Public Economics*, 1990.

Robert Moffitt, "Unemployment Insurance and the Distribution of Unemployment Spells," *Journal of Econometrics* 28, 1985.

Ronald L. Oaxaca and Carol A. Taylor, "Simulating the Impacts of Economic Programs on Urban Areas: The Case of Unemployment Insurance Benefits," *Journal of Urban Economics*, January 1986.

Robert G. Spiegelman and Stephen A. Woodbury, "Bonuses to Workers and Employers to Reduce Unemployment: Randomized Trials in Illinois," *American Economic Review*, September 1987.

R. Topel, "On Layoffs and Unemployment Insurance," *American Economic Review*, September 1983.

IV Dual-job Labor Supply

Renna, et. al "Constrained vs Unconstrained Labour Supply: The Economics of Dual Job Holding", (August 2013), working paper.