

ECON 443 A: Labor Market Analysis

Winter 2009¹

Course Information

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Office Hours: MW 11:00am–12:00pm
and by appointment

Lectures: MW, 8:30–10:20am, ART 317

Course Webpage: <https://catalysttools.washington.edu/workspace/ewingam/2520>

Course Goals

The UW catalog description of this course is: “Determinants of employment and incomes in the United States: analysis of individual and firm decisions and of equilibrium in the labor market. Topics include decisions to work and retire, education and occupation choices, compensation, discrimination, poverty, unemployment and unions. Examination of policy issues affecting the labor market.”

Labor Economics is one of those fields in economics that blurs the distinction between “micro” and “macro”. We will discuss “micro” topics such as: household labor supply determination, firms’ labor demand, and individual human capital investment. But, we will also discuss “macro” topics such as: income distribution, economy-wide discrimination, and unemployment.

To give you some more detail and guidance, here are my specific goals for this course. After completing this course, you should be able to:

1. Understand the mechanisms underlying the households’ decisions regarding labor supply and how different policies impact those decisions.
2. Understand how firms make decisions about how many workers to hire.
3. Understand how the labor market functions and how policies such as the minimum wage impact the labor market.
4. Understand why risky jobs pay more than non-risky jobs and the implications of wage differentials on health insurance.
5. Understand the role of human capital in the determination of earnings.
6. Analyze income inequality through the use of the Lorenz Curve and the Gini Coefficient.
7. Understand models of labor market discrimination.
8. Discuss the role of unions in determining wages and employment levels.
9. Understand the consequences of incentive pay structures and efficiency wages.

¹This version of the syllabus: October 30, 2008

10. Understand different theories of why unemployment exists and how unemployment affects other macroeconomic variables.
11. Discuss the issues of labor mobility and immigration.

Prerequisites

The prerequisite for this course is a grade of 2.0 in ECON 300. We will use basic arithmetic, algebra, geometry, and statistics extensively; we will use some basic calculus when needed as well. This course is not a “math” course and every “math-related” concept will be taught within the confines of this class, but a strong mathematical background may come in handy. Please see me early and often if there are any mathematical concepts that seem foreign to you.

As a review, you should read through your ECON 300 notes prior to or during the first week of class and make sure you understand all the concepts therein.

Required Texts

The required textbook for this course is: George Borjas, *Labor Economics, 4th Edition*, McGraw-Hill Irwin, ISBN: 978-0-07-340282-6. Any additional handouts and readings will be distributed in class and/or posted online.

Assignments and Academic Honesty

Each assignment will be turned in at the BEGINNING of the class in which it is due. Assignments will give specific instructions as to what is expected. Failure to follow instructions may result in grade penalties.

Except for the problem sets and presentation, all assignments are to be done on an individual basis. All work will be conducted within the framework of the University of Washington’s Standards of Conduct, specifically WAC 478-120-020, section (2)(a):

Admission to the University carries with it the presumption that students will conduct themselves as responsible members of the academic community. As a condition of enrollment, all students assume responsibility to observe standards of conduct that will contribute to the pursuit of academic goals and to the welfare of the academic community. That responsibility includes, but is not limited to: Practicing high standards of academic and professional honesty and integrity.

In other words, if I suspect academic dishonesty, actions will be taken within the scope of the Student Conduct Code, which includes a formal report to the Vice President of Student Affairs and potentially suspension or dismissal from the University. I take academic honesty very seriously, so consider yourself warned. If you haven’t done so yet, it would be a good idea to familiarize yourself with the entire University of Washington Student Conduct Code, which can be found at: <http://www.washington.edu/students/handbook/conduct.html>

Problem Sets

There will be several problem sets assigned throughout the quarter. You are encouraged, but not required, to work on these problem sets in a group of no more than 3 students. **If you do choose to work on a problem set with others, you are required to turn in your own set of solutions and cite your group members.** These problem sets will be closely related to your exams. Try to get started early so that any questions about the concepts discussed in these problems can be cleared up BEFORE the exams are given.

Exams

There will be 2 midterms and 1 final exam. The midterms will be given on Wednesday, **January 28** and Monday, **February 23**, and you may have one hour to complete each exam. To answer an anticipated question, the final exam WILL be cumulative, but will mostly concentrate on topics covered since the midterms (assume a 35/65 split (pre-/post-Midterms) in terms of the material covered). The final exam is scheduled for Tuesday, **March 17**, 8:30am–10:20am. Barring some unforeseen event, these dates are firmly set, so plan accordingly.

For the exams, you only need to bring a pen or a pencil (backup pens or pencils are fine, too) and a basic calculator. You are allowed to use a graphing or scientific calculator, but you are on your honor to only use the basic functions. You may not under any circumstances use a cell phone. I will provide scratch paper, and you will have plenty of room to write your answers directly on the tests.

Presentation

One of the exciting things about being as far along as you are in your economics education is that you have amassed enough understanding to be able to read primary materials and dissect and critique them. I have selected 10 papers that will be presented by 10 groups of 3-4 students. Each presentation will be 10-15 minutes long, and each paper will be a unique application of the various topics that we will cover throughout the quarter. I have chosen these papers because they are fun, quirky applications of the tools you will learn in class and they also reveal bigger truths in labor economics. The presentation schedule with dates and papers is located at the end of this syllabus.

On the first day of class, I will distribute a handout asking you to rank the papers you would like to present and list any classmates with whom you would like to form a group. You must return this sheet to me on the second day of class. I will do my best to accommodate everyone's preferences, but this may not be possible in all cases. More details about the content of the presentations and how you will be graded will be discussed in a handout that will be distributed in class.

Grading

I will automatically drop your lowest problem set grade and determine your final grade according to the following rubric:

PROBLEM SETS:	15%
MIDTERM EXAMS:	20% each
PRESENTATION:	10%
FINAL EXAM:	35%

Your final grade will be scaled to a standard 4.0 scale. (The exact scale I use can be found on the class webpage.) There will be up to a 0.2 GPA boost to those students that I feel have contributed quality thoughts and interpretations to class discussion (this will only be given to a handful of students, so do not just assume you will get it!) I do not give makeup assignments unless you have a UW sanctioned excused absence (e.g., emergency room visit with a doctor's note.) So, if you miss a midterm, you will receive a zero for that part of the course. **NO EXCEPTIONS!**

Attendance Policy

Your presence in class is **STRONGLY ADVISED**. Whereas I do not have a strict attendance policy, I expect you to respect this course and my time by making a concerted effort to come to every class.

Classroom Etiquette

You have certain rights and privileges as a student at the University of Washington, but please recognize that your classmates have rights and privileges as well. I expect everyone to extend the common courtesies involved in this classroom endeavor: silenced cell phones (including no texting during class), no talking unless it's part of the general discussion, and if you do use a laptop, please use it only for classroom related activities. Even if you feel that your question to your neighbor is of such a low volume that it cannot possibly distract anyone, chances are that it probably does. Additionally, someone else probably has the same question. If you politely stop me and ask your question, you and everyone else will get the answer and no one gets distracted. WIN-WIN!

Course Outline and Reading List

I have divided this course into several general topics that will take on average a little less than one week each to cover. All readings are required; the chapter numbers below refer to the Borjas text. Supplementary readings will be handed out in class or linked to from the class webpage. Additional readings may be assigned throughout the quarter.

I do not plan each and every single day in the syllabus up front since each class has a unique pace. To that end, there will be a more detailed calendar on the class webpage that looks two weeks ahead to keep us all up to date.

TOPIC:	READINGS:
Introduction	Ch. 1
Labor Supply	Chs. 2, 3 Bureau of Labor Statistics: "Employment Situation Summary" Leonhardt: "Unemployed, and Skewing the Picture"
Labor Demand	Ch. 4
Labor Market Equilibrium, the Minimum Wage	Ch. 5 Benjamin, Miller, and North: "The Effects of the Minimum Wage" in <i>The Economics of Public Issues</i>
Wage Differentials	Ch. 6
Human Capital	Ch. 7
Wage/Income Inequality; Lorenz Curves and Gini Coefficients	Ch. 8 Ehrenberg and Smith, <i>Modern Labor Economics</i> , Chapter 15A
Discrimination	Ch. 10 Bonello and Lobo: "Is There Discrimination in U.S. Labor Markets?" in <i>Taking Sides: Clashing Views on Economic Issues</i>
Unions	Ch. 11
Incentive Pay and Efficiency Wages	Ch. 12 Bonello and Lobo: "Are CEOs Paid What They are Worth?" in <i>Taking Sides: Clashing Views on Economic Issues</i>
Unemployment	Ch. 13
Labor Mobility & Immigration	Ch. 9
Labor and International Trade (time permitting)	Ehrenberg and Smith, <i>Modern Labor Economics</i> , Chapter 16

Presentation Schedule

DATE:	PAPER:
Jan. 21	Oettinger, Gerald S. "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors." <i>Journal of Political Economy</i> 107 (April 1999): 360–92.
Jan. 26	Card, D., and A. Krueger. "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania." <i>American Economic Review</i> 84 (September 1994): 772–93.
Feb. 4	Ashenfelter, O., and M. Greenstone. "Using Mandated Speed Limits to Measure the Value of a Statistical Life." <i>Journal of Political Economy</i> 112 (February 2004): S226–67.
Feb. 11	Card, D., and A. Krueger. "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States." <i>Journal of Political Economy</i> 100 (February 1992): 1–40.
Feb. 18	Krueger, A. "The Economics of Real Superstars: The Market for Rock Concerts in the Material World." <i>Journal of Labor Economics</i> 23 (January 2005): 1–30.
Feb. 25	Goldin, C., and C. Rouse. "Orchestrating Impartiality: The Impact of 'Blind' Auditions on Female Musicians." <i>American Economic Review</i> 90 (September 2000): 715–41.
Mar. 2	Schmidt, M., and D. Berri. "The Impact of Labor Strikes on Consumer Demand: An Application to Professional Sports." <i>American Economic Review</i> 94 (March 2004): 344–57.
Mar. 4	Raff, D., and L. Summers. "Did Henry Ford Pay Efficiency Wages?" <i>Journal of Labor Economics</i> 5 (October 1987, Part 2): S57–86.
Mar. 9	Kuhn, P., and M. Skuterud. "Internet Job Search and Unemployment Durations." <i>American Economic Review</i> 94 (March 2004): 218–32.
Mar. 11	Costa, D., and M. Kahn. "Power Couples: Changes in the Locational Choice of the College Educated, 1940–1990." <i>Quarterly Journal of Economics</i> 115 (November 2000): 1287–314.