

Boston College
Department of Economics

EC 886.01 Current Topics in Labor Economics

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Course Description and Requirements

The purpose of this course is to provide a selected survey of the field of labor economics. Topics include human capital, estimating the returns to education, discrimination, and unions, to name a few. The course will focus on empirical work designed to test microeconomic theories of labor markets.

The course has four main goals: to introduce some of the current issues in labor economics, to increase familiarity with the common econometric techniques used in labor economics, to increase knowledge of the data sources, and to help students start thinking about research topics in labor economics. To that end, there are five requirements: a paper, a final exam, two class presentations, and occasional assignments.

I will discuss more about the paper during the first weeks of class. The final exam will take place at the end of the term. During the first two weeks, students will sign up for a paper to present in class. The second presentation will be the student's own paper and will be at the end of the semester. The course assignments will consist of some simple empirical tasks, and a referee report.

Readings

* indicates required readings.

I. Introduction

II. Education, Earnings, and Experience

A. Human Capital

* R. Willis, "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," in Ashenfelter and Layard, *Handbook of Labor Economics*, vol. 1, Chapter 10.

* J. Mincer, Schooling, Experience, and Earnings, Columbia University Press, 1994

G. Becker, Human Capital, 3rd Edition, Chicago: University of Chicago press, 1993.

B. Specific Human Capital Investments and Training

i) Seniority and Earnings

- * L. Kletzer, "Returns to Seniority After Permanent Job Loss," AER, 1989.
- * K. Abraham and H. Farber, "Job Duration, Seniority and Earnings," AER, 1987.
- * L. Jacobson, R. LaLonde, D. Sullivan, "Earnings Losses of Displaced Workers," AER, September 1993.

R. Topel and M. Ward, "Job Mobility and the Careers of Young Men," Quarterly Journal of Economics, 1992.

J. Altonji and R. Shakotko, "Do Wages Rise with Job Seniority," Review of Economic Studies, 1987.

R. Topel, "Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority," Journal of Political Economy, 1991.

Y. Ben-Porath, "The Production of Human Capital and the Life Cycle of Earnings," Journal of Political Economy, August 1967.

C. Returns to Education

* Z. Griliches, "Estimating the Returns to Schooling: Some Econometric Problems," Econometrica, January 1977.

S. Rosen, "Human Capital: A Survey of Empirical Research," in R. Ehrenberg (ed) Research in Labor Economics, Greenwich, CT: JAI Press, Vol. 1, 1977.

i) Signaling and Selection Models

- * M. Spence, "Job market Signaling," Quarterly Journal of Economics, 1973.
- * R. Willis and S. Rosen, "Education and Self-Selection," Journal of Political Economy, 1979 (supplement).
- * K. Lang and D. Kroop, "Human Capital Versus Sorting: The Effects of Compulsory Attendance Laws," Quarterly Journal of Economics, August 1986.

J. Stiglitz, "The Theory of Screening, Education and the Distribution of Income," AER, June 1975.

J.G. Riley, "Testing the Educational Screening Hypothesis," Journal of Political Economy, 1979 (supplement).

ii) More on Returns to Education

- * J. Angrist and A. Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?," Quarterly Journal of Economics, November 1991.
- * O. Ashenfelter and A. Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins," AER, December 1994.

*K. Butcher and A. Case, "The Effect of Sibling Sex Composition on the Education on Women's Education and Earnings," *Quarterly Journal of Economics*, August 1994.

* D. Card, "Using Geographic Variation in College Proximity to Estimate the Return to Schooling," NBER working paper No. 4483, October 1993.

* D. Card, *Earnings, Schooling, and Ability Revisited*, Princeton University, IR Section Working paper #331, May 1994.

T. Kane and C. Rouse, "Labor Market Returns to Community College, mimeo May 1992.

C. Rouse, "Democratization or Diversification? The Effect of Junior Colleges on Educational Attainment, mimeo, November 1991.

S. Bronars and J. Grogger, "The Economic Consequences of Unwed Motherhood: Using Twin Births as a Natural Experiment," *AER*, December 1994.

iii) Quality of Education

* E. Hanushek, "The Economics of Schooling: Production and Efficiency in Public Schools," *Journal of Economic Literature*, September 1986.

* D. Card and A. Krueger, "Does School Quality Matter?: Returns to Education and the Characteristics of Public Schools in the United States," *Journal of Political Economy*, 1992.

* D. Card and A. Krueger, "School Quality and Black-White Relative Earnings: A Direct Assessment," *Quarterly Journal of Economics*, February 1992.

J. Altonji, "The Effects of High School Curriculum on Education and Labor Market Outcomes, NBER working paper #4142.

M. Boozer and C. Rouse, "Intraschool Variation in Class Size: Patterns and Implications," mimeo, December 1994.

A. Case and L. Katz, "The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths," NBER working paper #3705, May 1991.

III. Discrimination and Differentials by Race and Gender

* G. Becker, *The Economics of Discrimination*, 1971, 2nd Edition.

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

* R. Wood, M. Corcoran, P. Courant, "Pay Differences Among the Highly Paid: The Male-Female Gap in Lawyers' Salaries," *Journal of Labor Economics*, July 1993.

* J. Heckman and B. Payner, "Determining the Impact of Federal Anti-discrimination Policy on the Economic Status of Blacks: A Study of South Carolina," *American Economic Review*, March 1989.

* K. Chay, "The Impact of Federal Civil Rights Policy on Black Economic Progress: Evidence from the Equal Employment Opportunity Act of 1972," Industrial Relations Section Working Paper # 346, 1995.

G. Cain, "The Economic Analysis of Labor Market Discrimination: A Survey," in The Handbook of Labor Economics," vol I, North Holland, 1986.

K. Arrow, "The Theory of Discrimination," in Ashenfelter and Rees (eds), Discrimination in Labor Markets, 1973, and the discussion by M. Reder.

F. Blau and L. Kahn, "the Gender Earnings Gap: Learning from International Comparisons," NBER working paper # 4224, 1993.

IV. Immigration

* G. Borjas, "Assimilation, Changes in Cohort Quality, and the Earnings of Immigrants," Journal of Labor Economics, October 1995.

*R. LaLonde and R. Topel, "The Assimilation of Immigrants in the U.S. Labor Market," NBER working paper no. 3573, December 1990.

* G. Borjas, "Self-Selection and the Earnings of Immigrants," AER, September 1987.

* D. Card, "The Impact of the Mariel Boatlift on the Miami Labor Market," Industrial and Labor Relations Review, January 1990.

J. Altonji and D. Card, "The Effect of Immigration on Labor Market Outcomes of Less-Skilled Natives," in J. Abowd and R. Freeman, eds., Immigration, Trade, and the Labor Market, University of Chicago Press, 1991.

B. Chiswick, "Americanization and the Earnings of Foreign-born Men," Journal of Political Economy, October 1978.

G. Borjas, "Immigration and Welfare: 1970-1990," NBER working paper #4872, September 1994.

G. Borjas, R. Freeman, and L. Katz, "On the Labor Market Effects of Immigration and Trade," in Borjas and Freeman (eds), Immigration and the Work Force, NBER, 1992.

V. Compensating Differentials

A. Market Equilibrium

* S. Rosen, "The Theory of Equalizing Differences," in The Handbook of Labor Economics, vol 1, chapter 12.

A. Smith, The Wealth of Nations, Chapter 10.

B. Empirical Analysis

* C. Brown, "Equalizing Differences in the Labor Market, Quarterly Journal of Economics, 1980.

*J. Abowd and O. Ashenfelter, "Temporary Layoffs, Anticipated Unemployment, and Compensating Wage Differentials," in S. Rosen (ed), *Studies in Labor Markets*, University of Chicago Press, 1981.

* R. Gibbons and L. Katz, "Does Unmeasured Ability Explain Inter-Industry Wage Differentials?," *Review of Economic Studies*, July 1992.

R. Smith, "Compensating Differentials in the Labor Market," *Industrial and Labor Relations Review*, April 1979.

J. Roback, "Wages, Rent and the Quality of Life," *Journal of Political Economy*, 1982.

R. Thaler and S. Rosen, "The Value of Saving a Life: Evidence from the Labor Market," in N. Terleckj (ed), *Household Consumption and Production*, NBER, 1975.

VI. Unions and Collective Bargaining

A. Background

* R. Freeman and J. Medoff, *What Do Unions Do?*, Basic Books, 1984.

B. Union Membership Growth and Decline

* H. Farber, "The Decline of Unionization in the United States: What Can Be Learned From Recent Experience?," *Journal of Labor Economics*, January 1990

R. Freeman, "Contraction and Expansion: The Divergence of Private Sector and Public Sector Unionism in the United States," *Journal of Economic Perspectives*, Spring 1988.

C. Economic Effects of Unions

i) Wages

* R. Freeman, "Longitudinal Analyses of the Effects of Trade Unions," *Journal of Labor Economics*, January 1984.

* R. Freeman, "Unionism and the Dispersion of Earnings," *Industrial and the Dispersion of Earnings*, *Industrial and Labor Relations Review*, October 1980.

*G. Jakubson, "Estimation and Testing of the Union Wage Effect Using Panel Data," *Review of Economic Studies*, October 1991.

H. G. Lewis, "Unionism and Relative Wages in the United States," University of Chicago Press, Chicago, 1963.

ii) Non-wage Effects

* R. Freeman, "The Exit-Voice Tradeoff in the Labor Market: Unionism, Job Tenure, Quits, and Separations," *Quarterly Journal of Economics*, June 1980.

R. Freeman, "The Effect of Trade Unionism on Fringe Benefits," *Industrial and Labor Relations Review*, July 1981.

Freeman and Medoff, *What Do Unions Do?*, chps 6-11.

D. Strikes

* J. Tracy, "An Investigation into the Determinants of U.S. Strike Activity," *AER*, June 1986.

* P. Crampton and J. Tracy, "The Determinants of U.S. Labor Disputes," *Journal of Labor Economics*, April 1994.

*D. Card, "Longitudinal Analysis of Strike Activity," *Journal of Labor Economics*, April 1988.

D. Card, "Strikes and Wages: A Test of an Asymmetric Information Model," *Quarterly Journal of Economics*, August 1990.

D. Card "Strikes and Bargaining: A Survey of Recent Empirical Literature," *AER* May 1990.

J. Schnell and C. Gramm, "The Empirical Relations Between Employers' Striker Replacement Strategies and Strike Duration," *Industrial and Labor Relations Review*, January 1994.

E. Arbitration

[Time Permitting]

* O. Ashenfelter, J. Currie, H. Farber, and M. Spiegel, "An Experimental Comparison of Dispute Rates in Alternative Arbitration Systems," *Econometrica*, November 1992.

* C. Stevens, "Is Compulsory Arbitration Compatible with Bargaining?," *Industrial Relations*, February 1966.

* H. Farber and H. Katz "Interest Arbitration, Outcomes, and the Incentive to Bargain," *Industrial and Labor Relations Review*, Oct 1979.

* O. Ashenfelter, "Arbitrator Behavior," *AER* May 1987.

O. Ashenfelter and D. Bloom, "Lawyers as Agents of the Devil in a Prisoner's Dilemma Game, mimeo, Sept 1990.

O. Ashenfelter and J. Waldfogel, "Bargaining in the Shadow of the Judge," mimeo, March 1993.

VII. Current Topics in the Structure of Wages

* F. Levy and R. Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Proposed Explanations," *Journal of Economic Literature*, September 1992.

J. DiNardo and T. Lemieux, "Diverging male Wage Inequality in the United States and Canada, 1981-1988: Do Unions Explain the Difference?" mimeo, August 1993.

* D. Card, "The Effect of Unions on the Distribution of Wages: Redistribution or Relabelling?," NBER working paper #4195, 1992.

F. Blau and L. Kahn, "Rising Wage Inequality and the U.S. Gender Gap, AER, May 1994.

* J. DiNardo, N. Fortin, and T. Lemieux, "Labor Market Institutions and the Distribution of Wages, 1973-1992: A Semiparametric Approach," mimeo, January 1994.

R. Blank and D. Card, "Poverty, Income Distribution and Growth: Are They Still Connected?," Brookings Papers, 1994.

* A. Krueger, "How Computers Have Changed the Wage Structure: Evidence from Micro data, 1984-1989," Quarterly Journal of Economics, February 1993.

* J. DiNardo and J.-S. Pischke, "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?," mimeo, 1995.

J. Bound and George Johnson, "Changes in the Structure of Wages in the 1980's: An Evaluation of Alternative Explanations," AER June 1992.

M. Blackburn, D. Bloom, and R. Freeman, "Changes in Earnings Differentials in the 1980's: Concordance, Convergence, Consensus and Consequences," NBER working paper #3901, 1992.