

University of Toronto
Department of Economics
Spring 2014

Eco 2801S: Labor and Human Resources II
SS2111

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ECO2801S is a core course in labour economics. The course is pitched at the PhD level. Qualified MA students are also welcomed. ECO 2800F is not a prerequisite for ECO2801S. Both courses are required for PhD students who want to write the field examination in labour economics. The objective of ECO2801S is to use microeconomics to guide empirical research on labour markets.

Grading scheme: 50% on problem sets. 50% on a final or paper. The paper choice is primarily for PhD students and due by the end of the summer. The topic is chosen between the instructor and the student. A proposal is due before the end of the semester.

Students are encouraged to work on the problem sets in study groups. Each group can submit one answer.

Econometric reference:

Wooldridge, Jeffrey Marc. 2010. *Econometric Analysis of Cross Section and Panel Data*" MIT press.

Economic references:

Deaton, A., and J. Muellbauer. 1980. *Economics and consumer behavior*. Cambridge Univ Pr.

Becker, G. S. 1991. *A Treatise on the Family*. Harvard University Press.

---. 1993. *Human capital: A theoretical and empirical analysis, with special reference to education*. University of Chicago Press.

Mincer, J., 1974, *Schooling, Experience and Earnings*, New York: Columbia Univ Press.

Ashenfelter, Orley and David Card (1999), ed., *Handbook of Labor Economics*, Vols. 3A-3C, North Holland.

Rosenzweig, Mark and Oded Stark (1997), *Handbook of Population and Family Economics*, Vol. 1A, North Holland.

Browning, Chiappori and Weiss (January 2011), *Family Economics*, manuscript for Cambridge University Press.

Goldin, C. *Understanding the Gender Gap: An Economic History of American Women, 1990*. Oxford University Press.

*Required readings

Single agent decision making

1. Labor supply

1. Static model of labor supply

* Deaton, A., and J. Muellbauer. Chapter 2, 4.

*Mincer, J. 1962. Labor force participation of married women. *Aspects of labor economics* 10: 1949–1999.

*Acemoglu, D., D. H Autor, and D. Lyle. 2004. Women, war, and wages: the effect of female labor supply on the wage structure at midcentury. *JPE* 112, no. 3: 497–551.

Fernandez, R., A. Fogli, and C. Olivetti. 2004. “Mothers and Sons: Preference Formation and Female Labor Force Dynamics.” *Quarterly Journal of Economics* 119(4):1249–1299.

Stern, Nicholas (1986) “On the specification of labour supply functions” In: Blundell, Richard and Walker, Ian, (eds.) *Unemployment, search and labour supply*. Cambridge University Press, Cambridge, UK, pp. 143-189. ISBN 0521320275

Aguiar, Mark, and Erik Hurst. 2007. Measuring Trends in Leisure: The Allocation of Time over Five Decades. *Quarterly Journal of Economics* 122, no. 3: 969-1006.
doi:10.1162/qjec.122.3.969.

2. Quantity and quality of children.

* Jones, Larry E., Alice Schoonbroodt, and Michele Tertilt. 2008. *Fertility Theories: Can they Explain the Negative Fertility-Income Relationship?*. NBER working paper.

* Bailey, Martha J. and William J. Collins. 2011. "Did Improvements in Household Technology Cause the Baby Boom? Evidence from Electrification, Appliance Diffusion, and the Amish." *American Economic Journal: Macroeconomics* 3 (2): 189-217.

* Albanesi, Stefania and Claudia Olivetti. 2010. *Maternal Health and the Baby Boom*.
<http://www.nber.org/papers/w16146>

Lewis, Joshua (2013), “Fertility, Child Health, and the Diffusion of Electricity into the Home”, University of Montreal manuscript.

Lewis, Joshua (2013), “Short-run and Long-run effects of Household Technological Change”, University of Montreal manuscript.

3. Frisch labor supply and intertemporal labor supply

*Altonji, Joseph G. 1986. "Intertemporal Substitution in Labor Supply: Evidence from Micro Data." *The Journal of Political Economy*: S176-S215.

Abowd, J. M, and D. Card. 1989. On the covariance structure of earnings and hours changes. *Econometrica*: 411–445.

2. Human capital

1. Schooling models.

Mincer. Schooling, Experience, Earnings.

*Willis, Robert J. and Sherwin Rosen. 1979. "Education and Self-Selection." *The Journal of Political Economy*: S7-S36.

*Bedard, K. 2001. Human capital versus signaling models: University access and high school dropouts. *Journal of Political Economy* 109, no. 4: 749–775.

2. On-the-job training: general human capital.

* Becker. Human Capital.

*Ben-Porath, Yoram. 1967. "The Production of Human Capital and the Life Cycle of Earnings." *The Journal of Political Economy* 75 (4): 352-365.

*Oster, Emily, Ira Shoulson, and E. Dorsey. 2012. *Limited Life Expectancy, Human Capital and Health Investments: Evidence from Huntington Disease*. University of Chicago manuscript.

*Bailey, M. J. 2006. "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply." *Quarterly Journal of Economics* 121(1):289–320.

3. Earnings dynamics and learning.

*Baker, M., and G. Solon. 2003. Earnings dynamics and inequality among Canadian men, 1976-1992: Evidence from longitudinal income tax records. *JOLE* 21, no. 2: 289–321.

*Fatih Guvenen "Learning Your Earning: Are Labor Income Shocks Really Very Persistent?" *AER*, June 2007, Vol. 97, No. 3, pp. 687-712.

*Gibbons, Robert and Henry Farber (1996), .Learning and Wage Dynamics., *QJE*, vol. 111, no. 4, pp. 1007-47

*Altonji, Joseph G. and Charles R. Pierret. 2001. "Employer Learning and Statistical Discrimination." *The Quarterly Journal of Economics* 116 (1): 313-350.

*Iourii Manovskii, Hyeok Jeong, Vanderbilt University and Yong Kim, University of Southern California [The Price of Experience](#) August 2008

*Acemoglu, Daron. 2011. "Skills, Tasks and Technologies: Implications for Employment and Earnings." *Handbook of Labor Economics* 4: 1043-1171.

4. Dynamic complementarities in human capital accumulation.

*Cunha, Flavio and James Heckman. 2007. "The Technology of Skill Formation." *The American Economic Review* 97 (2): 31-47.

3. On-the-job matching.

*Neal, Derek, .The Complexity of Job Mobility among Young Men., *JOLE*, vol. 17, no. 2, April 1999, pp. 237-61

Multi-agents models

1. Hedonic markets

*Rosen, S. 1974. Hedonic prices and implicit markets: product differentiation in pure competition. *2Journal of political economy* 82, no. 1: 34.

*Akerberg, Daniel A. and Maristella Botticini. 2002. "Endogenous Matching and the Empirical Determinants of Contract Form." *Journal of Political Economy* 110 (3): 564-591.

1. Hierarchies and one factor matching.

*Garicano, Luis. 2000. "Hierarchies and the Organization of Knowledge in Production." *Journal of Political Economy* 108 (5): 874-904.

*Garicano, Luis and Esteban Rossi-Hansberg. 2004. "Inequality and the Organization of Knowledge." *American Economic Review* 94 (2): 197-202.

Rosen, Sherwin (1981) .The Economics of Superstars,. AER, 71, 845. 858.

Demougin, Dominique and Aloysius Siow. 1994. "Careers in Ongoing Hierarchies." *The American Economic Review*: 1261-1277.

2. Two factor matching.

*McCann, R., X. Shi, A. Siow, and R. Wolthoff. 2012. "Becker Meets Ricardo: Multisector Matching with Social and Cognitive Skills." . University of Toronto manuscript.

*Siow, A. 2013. "An empirical framework for studying the determination of earnings in two level hierarchies", University of Toronto manuscript.

3. Theory of firm specific capital.

4. Hours constraint and the coordination of hours of work.

*Altonji, J. G, and C. H Paxson. 1988. Labor supply preferences, hours constraints, and hours-wage trade-offs. *Journal of labor economics*: 254–276.

*---. 1992. Labor supply, hours constraints, and job mobility. *Journal of Human Resources*: 256–278.

5. Marriage matching.

*Choo, Eugene and Aloysius Siow. 2006. "Who Marries Whom and Why." *Journal of Political Economy* 114 (1): 175-201

Siow, Aloysius. forthcoming. "Testing Becker's Theory of Positive Assortative Matching." *Journal of Labor Economics*

3. Strategic considerations

*Altonji, Joseph G; Hayashi, Fumio; Kotlikoff, Laurence J, .Parental Altruism and Inter Vivos Transfers: Theory and Evidence., JPE, vol. 105, no. 6, Dec 1997, pp. 1121-66

1. Collective model of labor supplies.

*Chiappori, Pierre-André, Bernard Fortin, and Guy Lacroix. 2002. "Marriage Market, Divorce Legislation, and Household Labor Supply." *Journal of Political Economy* 110 (1): 37-72.

Bourguignon, François, Martin Browning, and Pierre-André Chiappori. 2009. "Efficient Intra-Household Allocations and Distribution Factors: Implications and Identification." *The Review of Economic Studies* 76 (2): 503-528.

Bobonis, Gustavo J. 2009. "Is the Allocation of Resources within the Household Efficient? New Evidence from a Randomized Experiment." *Journal of Political Economy* 117 (3): 453-503.

2. Limited commitment.

*Mazzocco, Maurizio. 2007. "Household Intertemporal Behaviour: A Collective Characterization and a Test of Commitment." *The Review of Economic Studies* 74 (3): 857-895.

3. Non-cooperative models.

*Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2007. "Incentives for Managers and Inequality among Workers: Evidence from a Firm-Level Experiment." *The Quarterly Journal of Economics* 122 (2): 729-773.

Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2009. "Social Connections and Incentives in the Workplace: Evidence from Personnel Data." *Econometrica* 77 (4): 1047-1094.

Botticini, M., and A. Siow. 2003. Why dowries? *AER* 93, no. 4: 1385–1398

Nature versus nurture

*Solon, G. 1992. Intergenerational income mobility in the United States. *The American Economic Review*: 393–408.

*Arthur S. Goldberger, [The Genetic Determination of Income: Comment](#), *The American Economic Review*, Vol. 68, No. 5. (Dec., 1978), pp. 960-969.

Sacerdote, B. 2007. “How Large Are the Effects from Changes in Family Environment? A Study of Korean American Adoptees.” *The Quarterly Journal of Economics* 122(1):119–157.

Corak, M., and A. Heisz. 1999. The intergenerational earnings and income mobility of Canadian men: Evidence from longitudinal income tax data. *JHR*: 504–533.