

University of Toronto  
Department of Economics  
Spring 2015

Eco 2801S: Labor and Human Resources II

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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: Two choices:

1. 50% on problem sets. 50% on a final.
2. 30% problem set. 30% final. 40% paper. The paper is 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. You must let me know before the final if you make this choice. This choice will not work if you need a grade before the end of the summer.

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.

Blundell, Richard and Monica Costa Dias. 2009. "Alternative Approaches to Evaluation in Empirical Microeconomics." *Journal of Human Resources* 44 (3): 565-640.

Lee, David S. and Thomas Lemieux. 2010. "Regression Discontinuity Designs in Economics." *Journal of Economic Literature* 48 (2): 281-355.

Economic references:

\*\* Pierre Cahuc, Stepane Carcillo and Andre Zylberberg (2014) , *Labour Economics*, MIT Press. 2<sup>nd</sup> ed.

The above book has most of the algebra for many standard labor economic models. So it's a useful reference especially if you want to step by step algebra.

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

It's the most beautiful and simple book on demand theory (including labor supply) that I know. The algebra is also in Cahuc but the economics is not so clear there.

The rest of the books are classics which you should be familiar with.

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 (2014), *Economics of the Family*, 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.

\*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

The above is a list of static labor supply models with properties. So it's a useful place to start if you need a labor supply function.

\*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.

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

\*Bianchi, Marco, Björn R. Gudmundsson, and Gylfi Zoega. 2001. "Iceland's Natural Experiment in Supply-Side Economics." *American Economic Review* 91 (5): 1564-1579.

\*Oettinger, Gerald S. 1999. "An Empirical Analysis of the Daily Labor Supply of Stadium Venors." *Journal of Political Economy* 107 (2): 360-392.

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.

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.

\*Angrist, Joshua D. and William N. Evans. 1998. "Children and their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size." *The American Economic Review* 88 (3): 450-477.

\*LAZEAR, EDWARD P. 2000. "Performance Pay and Productivity." *The American Economic Review* 90 (5): 1346-1361.

## 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.

\*Oster, Emily, Ira Shoulson, and E. Dorsey. 2013. "Limited Life Expectancy, Human Capital and Health Investments." *The American Economic Review* 103 (5): 1977-2002.

\*Lleras-Muney, Adriana. 2005. "The Relationship between Education and Adult Mortality in the United States." *The Review of Economic Studies* 72 (1): 189-221.

\*Black, Sandra E. 1999. "Do Better Schools Matter? Parental Valuation of Elementary Education." *Quarterly Journal of Economics*: 577-599.

\*Jensen, Robert. 2010. "The (Perceived) Returns to Education and the Demand for Schooling." *The Quarterly Journal of Economics* 125 (2): 515-548.

\*Clark, Damon and Paco Martorell. 2014. "The Signaling Value of a High School Diploma." *Journal of Political Economy* 122 (2): 282-318.

\*Angrist, Joshua D. 1990. "Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administrative Records." *The American Economic Review*: 313-336.

\*Bailey, Martha J. 2006. "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply." *The Quarterly Journal of Economics*: 289-320.

\*Lars Kirkebøen, Edwin Leuven, and Magne Mogstad, 2014. "Field of Study, Earnings, and Self-Selection", NBER Working Paper No. 20816



## 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.

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

## 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

\*Burks, Stephen, Bo Cowgill, Mitchell Hoffman, and Michael Housman. 2013. "The Facts about Referrals: Toward an Understanding of Employee Referral Networks.", University of Toronto manuscript.

- Lecture notes on labor demand, earnings inequality and discrimination

\*Autor, David H., Lawrence F. Katz, and Melissa S. Kearney. 2008. "Trends in US Wage Inequality: Revising the Revisionists." *The Review of Economics and Statistics* 90 (2): 300-323.

\*Jeong, Hyeok, Yong Kim, and Iourii Manovskii. 2012. *The Price of Experience* Mimeo, University of Pennsylvania.

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

Autor, David H., David Dorn, and Gordon H. Hanson. 2012. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review*

Bertrand, Marianne and Sendhil Mullainathan. 2004. "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review* 94 (4): 991-1013

## Multi-agents models

### 1. Hedonic markets

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

### 1. Hierarchies and one factor matching.

\*Dessein, W. and T. Santos. 2006. "Adaptive Organizations." *Journal of Political Economy* 114 (5): 956-995.

\*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.

### 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

\*Mourifie, Ismael and Aloysius Siow. 2014. "Cohabitation versus Marriage: Marriage Matching with Peer Effects." University of Toronto manuscript.

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.

#### 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.

\*Chiappori, Pierre-Andre, and Maurizio Mazzocco. "Static and Intertemporal Household Decisions.", UCLA manuscript 2014.

#### 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.

\* [“In the Name of the Son \(and the Daughter\): Intergenerational Mobility in the United States, 1850-1940.”](#) (joint with Claudia Olivetti, July 2014).

[“Three-generation mobility in the United States, 1850-1940: The Role of Maternal and Paternal Grandparents..”](#) (joint with Claudia Olivetti and Laura Salisbury, November 2014).