

Graduate Labour Economics I (ECO2800H1F)

University of Toronto

Fall 2018, Thursdays 2-4 pm, BA2139

David J. Price

david.price@utoronto.ca

Office hours: by appointment, room 332

This is a graduate course in labour economics, appropriate for graduate students in the Department of Economics and other students with preparation in microeconomic theory and econometrics. The course teaches core topics in the field of labour economics as well as empirical methods for applied microeconomic analysis.

Students are strongly encouraged to attend the applied micro seminar, which meets on Fridays from 3:40 to 5:00 pm, as well as the CEPA lunches on Tuesdays.

Grading: Grading will be based on participation in class (10%), a referee report (10%), a research paper (40%), and a final examination (40%).

To earn full marks for participation, you will be expected to participate in class discussions. To do this, you should be familiar with all papers listed for each class in the syllabus, but **don't be intimidated by the number of papers**; we will discuss how to tackle them. In addition, beginning with the second class, one paper will be marked **in bold** for each class. For that paper, you should prepare a brief presentation with four short slides: (1) a brief summary of the paper, (2) what the paper does well, (3) what the weaknesses are in the paper, and (4) where to go next—that is, what future research could do to build off of the results in this paper. You must submit your slides on Quercus by 11:59pm the day before class. In class, I will randomly choose one student to present their slides.

We will discuss the referee report in detail in class.

The research paper may be a first draft of some original work, or a replication study. I will also accept research proposals that would use obtainable data, but where it takes time to get access. The purpose of the research paper is to get you started thinking about the road to completing empirical research. You must meet with me before mid-October to get your research paper idea approved. You may choose to submit your paper a week or two after the official end of the class, assuming that sufficient effort is being made already and you expect to improve on the paper with the additional time. Grading will take into account the additional time. Please see me early if you want to discuss topic ideas.

Taking this class and the winter class will help you understand the labour economics literature and help prepare you to produce and consume labour economics research. However, it will *not* give you a complete picture of the breadth or depth of labour economics. For added breadth, you can see surveys of many areas in the *Handbook of Labor Economics* from Elsevier. You might also look at undergrad texts by Borjas (*Labor Economics*) and Benjamin, Gunderson, Lemieux, and Riddell (*Labour Market Economics*), or the graduate text by Cahuc and Zylberberg (*Labor Economics*). I also encourage you to read *Mostly Harmless Econometrics* by Angrist and Pischke for a guide to the empirics of modern labour economics. For added depth, you should read many more articles than those listed here. If you are particularly interested in a paper in this syllabus (or elsewhere), you can find links to articles that cite, or are cited by, that article at <https://ideas.repec.org/>.

Class schedule

1. **Sept 6:** Empirical background, with applications to the minimum wage
2. **Sept 13:** Social insurance and labour supply
3. **Sept 20:** General labour supply topics
4. **Sept 27:** Firms and wages: decompositions
5. **Oct 4:** Firms and wages: layoffs and other analyses
6. **Oct 11:** Unions
7. **Oct 18:** Discrimination
8. **Oct 25:** Gender gaps
9. **Nov 1:** Immigration
Reading Week
10. **Nov 15:** Intergenerational mobility
11. **Nov 22:** Neighborhoods and children
12. **Nov 29:** Cross-sectional inequality

Readings associated with classes

1 Empirical background, with applications to the minimum wage

FOR TODAY: focus on Imbens (2010) and Card and Krueger (1994).

Empirical background

- Deaton, Angus, 2010. “Instruments, Randomization, and Learning about Development,” *Journal of Economic Literature*, 48(2), pages 424-455, June.
- Imbens, Guido W., and Joshua D. Angrist. “Identification and Estimation of Local Average Treatment Effects.” *Econometrica*, vol. 62, no. 2, 1994, pp. 467–475.
- Imbens, G. (2010). “Better LATE Than Nothing: Some Comments on Deaton (2009) and Heckman and Urzua (2009),” *Journal of Economic Literature*, 48(2), pages 399–423, June.
- Heckman, James J., and Sergio Urzua. 2010. “Comparing IV with Structural Models: What Simple IV Can and Cannot Identify.” *Journal of Econometrics*, 156(1): 27–37.
- Rubinstein, Ariel. “Dilemmas of an Economic Theorist.” *Econometrica*, vol. 74, no. 4, 2006, pp. 865–883.

The minimum wage

- Autor, David H., Alan Manning and Christopher L. Smith, 2016. “The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment,” *American Economic Journal: Applied Economics* 8(1), pages 58-99.
- Card, David and Krueger, Alan B, 1994. “Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania,” *American Economic Review*, 84(4), pages 772-793.
- DiNardo, John, Fortin, Nicole M and Lemieux, Thomas, 1996. “Labor Market Institutions and the Distribution of Wages, 1973-1992: A Semiparametric Approach,” *Econometrica*, 64(5), pages 1001-1044.
- Falk, Armin, Ernst Fehr and Christian Zehnder, 2006. “Fairness Perceptions and Reservation Wages—the Behavioral Effects of Minimum Wage Laws,” *The Quarterly Journal of Economics*, 121(4), pages 1347-1381.

2 Social insurance and labour supply

- Bitler, M., J. Gelbach, H. Hoynes. (2006). “What Means Miss: Distributional Effects of Welfare Reform Experiments,” *American Economic Review* 96 (4), 988-1012.
- Bitler, M., J. Gelbach, H. Hoynes. “Can Variation in Subgroups’ Average Treatment Effects Explain Treatment Effect Heterogeneity? Evidence from a Social Experiment,” *Review of Economics and Statistics*, 99 (4), 2017, p.683-697.
- Card, David and Dean R. Hyslop. “Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers.” *Econometrica* 73 (6), 2005, 1723–1770.
- Cesarini, David, Erik Lindqvist, Matthew J. Notowidigdo and Robert Ostling, 2017. “The Effect of Wealth on Individual and Household Labor Supply: Evidence from Swedish Lotteries,” *American Economic Review*, 107(12), pages 3917-3946.
- ★ **Chetty, Raj and Emmanuel Saez, 2013. “Teaching the Tax Code: Earnings Responses to an Experiment with EITC Recipients,” *American Economic Journal: Applied Economics*, vol. 5(1), pages 1-31.**
- Eissa, N. and J. Leibman, “Labor Supply Response to the Earned Income Tax Credit,” *Quarterly Journal of Economics* 111 (2), May 1996.
- Rothstein, Jesse. 2010. “Is the EITC as Good as an NIT? Conditional Cash Transfers and Tax Incidence.” *American Economic Journal: Economic Policy*, 2 (1): 177–208.
- Schmieder, Johannes F., Till von Wachter, and Stefan Bender. 2016. “The Effect of Unemployment Benefits and Nonemployment Durations on Wages.” *American Economic Review*, 106 (3): 739–777.

3 General labour supply topics

- Abowd, John and David Card (1987): “Intertemporal Labor Supply and Long-Term Employment Contracts.” *American Economic Review*, 77(1): 50-68.

- Aguiar, Mark, Mark Bilts, Kerwin Kofi Charles, and Erik Hurst, 2017. “Leisure Luxuries and the Labor Supply of Young Men,” NBER Working Papers 23552.
- Camerer, Colin, Babcock, Linda, Loewenstein, George and Thaler, Richard, 1997. “Labor Supply of New York City Cab Drivers: One Day At A Time,” *The Quarterly Journal of Economics*, 112(2), pages 407-441.
- Crawford, Vincent P., and Juanjuan Meng. 2011. “New York City Cab Drivers’ Labor Supply Revisited: Reference-Dependent Preferences with Rational-Expectations Targets for Hours and Income.” *American Economic Review*, 101 (5): 1912-32.
- Farber, Henry, 2005. “Is Tomorrow Another Day? The Labor Supply of New York City Cabdrivers,” *Journal of Political Economy*, 113(1) 46-82.
- Farber, Henry S. 2008. “Reference-Dependent Preferences and Labor Supply: The Case of New York City Taxi Drivers.” *American Economic Review*, 98 (3): 1069-82.
- ★ **Fehr, Ernst, and Lorenz Goette. 2007. “Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment.” *American Economic Review*, 97 (1): 298-317.**
- Ham, John, C., and Kevin T. Reilly. 2002. “Testing Intertemporal Substitution, Implicit Contracts, and Hours Restriction Models of the Labor Market Using Micro Data.” *American Economic Review*, 92 (4): 905-927.

4 Firms and wages: decompositions

- Abowd, John, Francis Kramarz, and David Margolis, “High Wage Workers and High Wage Firms,” *Econometrica*, 1999, 67 (2), 251–333.
- Bonhomme, S., T. Lamadon and E. Manresa, 2017. “A Distributional Framework for Matched Employer Employee Data.” Available online: <http://www.lamadon.com/paper/blm.pdf>.
- Borovickova, Katarina and Robert Shimer, 2017. “High Wage Workers Work for High Wage Firms,” NBER Working Papers 24074.
- ★ **Card, David, Jorg Heining, and Patrick Kline, “Workplace Heterogeneity and the Rise of West German Wage Inequality,” *The Quarterly Journal of Economics*, 2013, 128 (3), 967–1015.**
- Card, David, Ana Rute Cardoso, Joerg Heining, and Patrick Kline, “Firms and Labor Market Inequality: Evidence and Some Theory,” *Journal of Labor Economics*, 2018, 36 (S1), S13–S70.
- Davis, Steve J. and John Haltiwanger, “Wage Dispersion Between and Within U.S. Manufacturing Plants, 1963-1986,” *Brookings Papers on Economic Activity: Microeconomics*, 1991, pp. 115–200.
- Eeckhout, Jan and Philipp Kircher, 2011. “Identifying Sorting–In Theory,” *Review of Economic Studies* 78(3), pages 872-906.
- Gibbons, Robert and Lawrence Katz, “Does Unmeasured Ability Explain Inter-Industry Wage Differentials?” *Review of Economic Studies*, Vol. 59, No. 3 (Jul., 1992), pp. 515–535.

- Kline, Patrick, Raffaele Saggio, Mikkel Solvsten, 2018. “Leave-out estimation of variance components,” Papers 1806.01494, arXiv.org.

5 Firms and wages: layoffs and other analyses

- Bender, Stephan, and Till von Wachter, “In the right place at the wrong time: The Role of Firms and Luck in Young Workers’ Careers” AER, December 2006.
- Gibbons, Robert and Katz, Lawrence F, 1991. “Layoffs and Lemons,” Journal of Labor Economics, 9(4), pages 351-380.
- Goldschmidt, Deborah and Johannes F. Schmieder, “The Rise of Domestic Out-sourcing and the Evolution of the German Wage Structure,” The Quarterly Journal of Economics, 2017, 132 (3), 1165–1217.
- Jacobson, L.S., R.J. Lalonde, and D.G. Sullivan (1993), “Earnings Losses of Displaced Workers,” AER, 83, 685–709.
- Katz, Lawrence F. and Alan B. Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015,” Industrial and Labor Relations Review, 2018, Forthcoming.
- ★ **Lachowska, Marta, Alexandre Mas and Stephen A. Woodbury, 2018. “Sources of Displaced Workers’ Long-Term Earnings Losses,” NBER Working Papers 24217.**
- Oreopoulos, Philip, Till von Wachter, Andrew Heisz, 2012. “The Short- and Long-Term Career Effects of Graduating in a Recession,” American Economic Journal: Applied Economics, 4(1), pages 1-29.
- Oyer, Paul. 2006. “Initial Labor Market Conditions and Long-Term Outcomes for Economists.” Journal of Economic Perspectives, 20 (3): 143-160.
- Poletaev, Maxim and Chris Robinson, 2008. “Human Capital Specificity: Evidence from the Dictionary of Occupational Titles and Displaced Worker Surveys, 1984-2000,” Journal of Labor Economics 26(3), pages 387-420.

6 Unions

- Barbara Biasi, 2018. “The Labor Market for Teachers Under Different Pay Schemes,” NBER Working Papers 24813.
- Brown, J and O. Ashenfelter (1986): “Testing the Efficiency of Employment Contracts.” Journal of Political Economy, 94, S40-S87.
- Card, David, 1996. “The Effect of Unions on the Structure of Wages: A Longitudinal Analysis,” Econometrica, 64(4), pages 957-979.
- Card, David, Thomas Lemieux and W. Craig Riddell, 2003. “Unionization and Wage Inequality: A Comparative Study of the U.S, the U.K., and Canada,” NBER Working Papers 9473.

- DiNardo, J. and D. Lee. (2004) “Economic Impact of New Unionization on Private Sector Employers: 1984-2001,” *Quarterly Journal of Economics* 119, 1383-1441.
- Dube, Arindrajit, Ethan Kaplan, and Owen Thompson, 2016. “Nurse Unions and Patient Outcomes,” *ILR Review*, 69(4), pages 803-833.
- Frandsen, Brigham (2014). “The surprising impacts of unionization: Evidence from matched employer-employee data.” Available online: <https://economics.byu.edu/frandsen/Documents/unioneffects.pdf>.
- ★ **Lee, David S. and Alexandre Mas, 2012. “Long-Run Impacts of Unions on Firms: New Evidence from Financial Markets, 1961–1999,” *The Quarterly Journal of Economics*, 127(1), pages 333-378.**

7 Discrimination

- Agan, Amanda and Sonja Starr, 2016. “Ban the Box, Criminal Records, and Statistical Discrimination: A Field Experiment,” Working Papers 598, Princeton University, Department of Economics, Industrial Relations Section.
- Altonji, Joseph and Charles Pierret (2001). “Employer Learning and Statistical Discrimination.” *Quarterly Journal of Economics* 116(1), pp. 313–350.
- Autor, David H. and David Scarborough, 2008. “Does Job Testing Harm Minority Workers? Evidence from Retail Establishments,” *Quarterly Journal of Economics*, 123(1), pp. 219-277.
- Bertrand, Marianne and Sendhil Mullainathan. “Are Emily And Greg More Employable Than Lakisha And Jamal? A Field Experiment On Labor Market Discrimination,” *American Economic Review*, 2004, 94(4), 991-1013.
- Black, Sandra, E. and Philip E. Strahan. 2001. “The Division of Spoils: Rent-Sharing and Discrimination in a Regulated Industry.” *American Economic Review*, 91 (4): 814-831.
- Blinder, Alan, 1973. “Wage Discrimination: Reduced Form and Structural Estimates,” *Journal of Human Resources* 8(4), p. 436-455.
- Glover, Dylan, Amanda Pallais, and William Pariente, 2017. “Discrimination as a Self-Fulfilling Prophecy: Evidence from French Grocery Stores,” *Quarterly Journal of Economics*, 132(3), pages 1219-1260.
- ★ **Hedegaard, Morten Storling, and Jean-Robert Tyran. 2018. “The Price of Prejudice.” *American Economic Journal: Applied Economics*, 10 (1): 40-63.**
- Miller, Conrad. 2017. “The Persistent Effect of Temporary Affirmative Action.” *American Economic Journal: Applied Economics*, 9 (3): 152-90.
- Wozniak, Abigail, 2015. “Discrimination and the Effects of Drug Testing on Black Employment,” *The Review of Economics and Statistics*, 97(3), pages 548-566.

8 Gender gaps

- Aizer, Anna, 2010. “The Gender Wage Gap and Domestic Violence,” *American Economic Review* 100(4), pages 1847-1859.
- Angrist, Joshua D and Evans, William N, 1998. “Children and Their Parents’ Labor Supply: Evidence from Exogenous Variation in Family Size,” *American Economic Review*, 88(3), pages 450-477.
- Bailey, Martha J., “More Power to the Pill: The Impact of Contraceptive Freedom on Women’s Life Cycle Labor Supply”, *Quarterly Journal of Economics*, February 2006, Vol. 121, No. 1, Pages 289-320.
- Baker, Michael, Jonathan Gruber, and Kevin Milligan, 2008. “Universal Child Care, Maternal Labor Supply, and Family Well-Being,” *Journal of Political Economy*, 116(4), pages 709-745.
- Card, David, Ana Rute Cardoso and Patrick Kline, 2016. “Bargaining, Sorting, and the Gender Wage Gap: Quantifying the Impact of Firms on the Relative Pay of Women,” *The Quarterly Journal of Economics*, 131(2), pages 633-686.
- ★ **Cook, Cody, Rebecca Diamond, Jonathan Hall, John A. List and Paul Oyer, 2018. “The Gender Earnings Gap in the Gig Economy: Evidence from over a Million Rideshare Drivers,” NBER Working Papers 24732.**
- Goldin, Claudia and Lawrence F. Katz, 2016. “A Most Egalitarian Profession: Pharmacy and the Evolution of a Family-Friendly Occupation,” *Journal of Labor Economics*, 34(3), pages 705-746.
- Lalive, Rafael, and Josef Zweimuller, (2009). “How does parental leave affect fertility and return to work? Evidence from two natural experiments,” *Quarterly Journal of Economics* 124(3), Pages 1363-1402.

9 Immigration

- Borjas, George, 1987. “Self-Selection and the Earnings of Immigrants,” *American Economic Review* 77(4), pages 531-553.
- Borjas, G. (2003), “The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market,” *Quarterly Journal of Economics* 118 (November), 1335-74.
- Card, D. (1990) “The Impact of the Mariel Boatlift on the Miami Labor Market,” *Industrial and Labor Relations Review*.
- Chiquiar, Daniel and Gordon H. Hanson, 2005. “International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the United States,” *Journal of Political Economy*, 113(2), pages 239-281.
- Michael A. Clemens, 2013. “Why Do Programmers Earn More in Houston Than Hyderabad? Evidence from Randomized Processing of US Visas,” *American Economic Review* 103(3), pages 198-202.

- Dustmann, Christian, Uta Schonberg and Jan Stuhler, 2017. “Labor Supply Shocks, Native Wages, and the Adjustment of Local Employment,” *The Quarterly Journal of Economics*, 132(1), pages 435-483.
- Oreopoulos, P., 2011. “Why Do Skilled Immigrants Struggle in the Labor Market? A Field Experiment with Thirteen Thousand Resumes,” *American Economic Journal: Economic Policy*, 3(4), pages 148-171.
- ★ **Ottaviano, Gianmarco, Giovanni Peri and Greg C. Wright, 2013. “Immigration, Offshoring, and American Jobs,” *American Economic Review*, 103(5), pages 1925-1959.**
- Peri, G. and C. Sparber (2009), “Task Specialization, Immigration, and Wages,” *AEJ: Applied Economics* 1(3), 135-169.

10 Intergenerational mobility

- Aizer, Anna, Shari Eli, Joseph Ferrie and Adriana Lleras-Muney, 2016. “The Long-Run Impact of Cash Transfers to Poor Families,” *American Economic Review*, American Economic Association, vol. 106(4), pages 935-971.
- H. Bleakley and J. Ferrie. (2016), “Shocking Behavior: Random Wealth in Antebellum Georgia and Human Capital Across Generations,” *QJE* 131(3): 1455-95.
- Cesarini, David, Erik Lindqvist, Robert Ostling, Bjorn Wallace, 2016. “Wealth, Health, and Child Development: Evidence from Administrative Data on Swedish Lottery Players,” *The Quarterly Journal of Economics* 131(2), pages 687-738.
- Dahl, Gordon B. and Anne C. Gielen, 2018. “Intergenerational Spillovers in Disability Insurance,” NBER Working Papers 24296.
- ★ **Hartley, Robert Paul, Lamarche, Carlos and Ziliak, James P., 2017. “Welfare Reform and the Intergenerational Transmission of Dependence,” *IZA Discussion Papers* 10942.**
- Hoynes, Hilary, Diane Whitmore Schanzenbach and Douglas Almond, 2016. “Long-Run Impacts of Childhood Access to the Safety Net,” *American Economic Review*, 106(4), pages 903-934.
- Oreopoulos, Philip, Marianne Page, and Ann Huff Stevens. “The Intergenerational Effects of Worker Displacement.” *Journal of Labor Economics*, 26(3):455–483, 2008.
- Oreopoulos, Philip and Marianne E. Page, 2006. “The Intergenerational Effects of Compulsory Schooling,” *Journal of Labor Economics*, 24(4), pages 729-760.
- Solon, G. (1992) “Intergenerational income mobility in the United States,” *American Economic Review* 82(3): 393-408.

11 Neighborhoods and children

- Aaronson, Daniel, 1998. “Using Sibling Data to Estimate the Impact of Neighborhoods on Children’s Educational Outcomes,” *Journal of Human Resources*, 33(4), pages 915-946.

- ★ Chetty, Raj and Nathaniel Hendren, 2018. “The Impacts of Neighborhoods on Intergenerational Mobility I: Childhood Exposure Effects,” *The Quarterly Journal of Economics*, 133(3), pages 1107-1162.
- Chetty, Raj, Nathaniel Hendren, and Lawrence F. Katz, 2016. “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment.” *American Economic Review*, 106 (4): 855-902.
- Chetty, Raj, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez, 2014. “Where is the land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *The Quarterly Journal of Economics*, Oxford University Press, vol. 129(4), pages 1553–1623.
- Chyn, Eric, 2016. “Moved to Opportunity: The Long-Run Effect of Public Housing Demolition on Labor Market Outcomes of Children.” Available online: http://www.ericchyn.com/files/Chyn_Moved_to_Opportunity.pdf.
- Damm, Anna Piil and Christian Dustmann, 2014. “Does Growing Up in a High Crime Neighborhood Affect Youth Criminal Behavior?,” *American Economic Review*, 104(6), pages 1806-1832.
- Kling, Jeffrey R, Jeffrey B Liebman and Lawrence F Katz, 2007. “Experimental Analysis of Neighborhood Effects,” *Econometrica*, 75(1), pages 83-119.
- Oreopoulos, Philip, 2003. “The Long-Run Consequences of Living in a Poor Neighborhood,” *The Quarterly Journal of Economics*, 118(4), pages 1533-1575.

12 Cross-sectional inequality

- Autor, David H. and David Dorn, 2013. “The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market,” *American Economic Review*, 103(5), pages 1553-1597.
- Autor, David H., Lawrence F. Katz and Melissa S. Kearney, 2008. “Trends in U.S. Wage Inequality: Revising the Revisionists,” *The Review of Economics and Statistics* 90(2), pages 300-323.
- Bakija, John, Adam Cole, and Bradley Heim, “Jobs and Income Growth of Top Earners and the Causes of Changing Income Inequality: Evidence from U.S. Tax Return Data,” Working Paper, Williams College 2012.
- Burkhauser, Richard V., Jeff Larrimore, and Kosali I. Simon, 2012. “A ‘Second Opinion’ on the Economic Health of the American Middle Class,” *National Tax Journal*, 65(1), pages 7-32.
- Guvenen, Fatih, Greg Kaplan, Jae Song, and Justin Weidner, 2017. “Lifetime Incomes in the United States over Six Decades,” NBER Working Papers 23371.
- Juhn, Chinhui, Murphy, Kevin M, Pierce, Brooks, 1993. “Wage Inequality and the Rise in Returns to Skill,” *Journal of Political Economy*, 101(3), pages 410-442.
- Piketty, Thomas. 2015. “About Capital in the Twenty-First Century.” *American Economic Review*, 105 (5): 48-53.

- Piketty, T. and Saez, E. “Income Inequality in the United States, 1913-1998,” Quarterly Journal of Economics, 118(1), 2003, 1-39.
- ★ **Smith, Matthew, Danny Yagan, Owen Zidar and Eric Zwick 2017. “Capitalists in the 21st Century.” Available online: <http://www.ericzwick.com/capitalists/capitalists.pdf>.**