

# ECO3801H1S – Graduate Labor II

Winter 2022

University of Toronto  
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Lectures      Monday, 11:10 - 1:00  
Office Hours   Monday, 10:00 - 11:00

This version of syllabus: January 4, 2022

## DESCRIPTION

### Overview

This is a graduate course in labor economics, appropriate for graduate students in the Department of Economics and other students with preparation in microeconomic theory and econometrics, as well as Master students with a strong interest in research in labor economics. It is a natural follow-up of Graduate Labor Economics I ECO3800H1F. The course teaches core topics in the field of labor economics as well as empirical methods for applied microeconomic analysis. The goal of this course is to prepare students to produce and consume published labor economics research.

### Meetings

Lectures are Monday from 11:10am to 1pm.

#### 1. First Lecture

The first lecture will take place online on Monday, January 10th, 2022. As of today (January 4, 2022), it is unclear whether the rest of the semester will be online, or if we will resume in person after reading week. This class functions best interactively. To help with that, you must have a usable microphone, and you are expected to have your camera on. Please let me know if you expect that to be a problem.

- <https://us02web.zoom.us/j/9832768789?pwd=VWxnU2pKQ3M2NkoyWWc2VnVRVUVJUT09>
- Meeting ID: 983 276 8789
- Passcode: 6bb3W1

## COURSE DESIGN

### Participation

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; you can ask questions about the papers in class, and we will discuss how to tackle them. Part of the goal of this class is to practice reading many papers quickly. All papers can be downloaded from a link in the syllabus, from the website of the working paper series indicated, or from the library's website. Let me know if there are any you can't find. We likely will not discuss all of them, but please come prepared to discuss them. In addition, beginning with the second class, I will indicate one paper for which you should prepare a brief presentation with four short slides: (1) a short 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 (at least) one student to present their slides. In my participation grading, I will account for both your brief presentation as well as your engagement in the discussion during the lecture.

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## Referee report

The referee report will be due on March 18 at 11:59 pm. You will choose a working paper on labor economics from the last 3 or so years that is not on this syllabus, and write about 3-5 pages briefly summarizing it; explaining the contribution; listing suggestions for improvement (which should take most of your space); and advising the editor of the *Journal of Labor Economics* whether, and why, to accept the paper as is, request revisions, or reject it.

## Research paper

The research paper may be a first draft of some original work or a research proposal that outlines the steps you would take to produce original work. The purpose of the research paper is to get you started thinking about how empirical research is actually done. You must submit a brief paragraph on at least one potential research topic (and hopefully a paragraph each on a couple of backup ideas) by February 18th at 11:59pm on Quercus. Starting February 18th, two students will do a brief presentation of their research ideas during the class and will receive feedback. You will provide detailed feedback to your classmates on their research presentation. Literature suggestions, data, methods, scope of the question, framing, robustness checks are the type of comments expected. Part of the grade will include your ability to take-on comments or concerns that are brought up during the presentation, and revise the analysis/discussion accordingly. The paper is due April 1 at 11:59 pm and you will present your next steps on April 4. 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.

## Final exam

The final exam will be a take-home test; we will discuss it in class closer to the end of the semester.

## COURSE STRUCTURE

### 1. Job Loss and Search at the Micro and Macro Level January 10

- Card, David, Raj Chetty, and Andrea Weber (2007) “Cash-on-hand and competing models of intertemporal behavior: New evidence from the labor market.” *Quarterly journal of economics*, 122(4): 1511-1560.
- Crépon, Bruno, Esther Duflo, Marc Gurgand, Roland Rathelot, and Philippe Zamora (2013) “Do Labor Market Policies have Displacement Effects? Evidence from a Clustered Randomized Experiment.” *Quarterly Journal of Economics* 128(2), 531–580.
- Jäger, Simon, Benjamin Schoefer, Samuel Young, and Josef Zweimüller (2020) “Wages and the Value of Nonemployment.” *Quarterly Journal of Economics*, 135 (4), 1905-1963
- Lalive, Rafael, Camille Landais, and Josef Zweimüller (2015) “Market Externalities of Large Unemployment Insurance Extension Programs.” *American Economic Review*, 105(12), 3564-3596.
- Marinescu, Ioana Elena, and Daphné Skandalis (2020) “Unemployment insurance and job search behavior.” Available at SSRN 3303367 (2019).
- Marinescu, Ioana, and Ronald Wolthoff (2020) “Opening the black box of the matching function: The power of words.” *Journal of Labor Economics* 38(2): 535-568.
- 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):739-77.

### 2. Labor Market Power and Monopsony January 17

- Caldwell, S. and Oehlsoln, E. (2019) “Monopsony and the Gender Wage Gap: Experimental Evidence from the Gig Economy,” WP.

- Card, D., Cardoso, A.R., Heining, J. and Kline, P. (2018) “Firms and labor market inequality: Evidence and some theory.” *Journal of Labor Economics* 36(S1) S13-S70.
- Dube, Arindrajit, Alan Manning, and Suresh Naidu (2020) “Monopsony and employer misoptimization explain why wages bunch at round numbers”. NBER WP No. w24991.
- Naidu, Suresh, Yaw Nyarko, and Shing-Yi Wang (2015) “Monopsony Power in Migrant Labor Markets: Evidence from the United Arab Emirates.” *Journal of Political Economy*, 124 (6), 1735-92.
- Staiger, D. O., J. Spetz, and C. S. Phibbs (2010): “Is There Monopsony in the Labor Market? Evidence from a Natural Experiment,” *Journal of Labor Economics*, 28, 211-236.

### 3. Firm-level Determinants of Wages and Productivity: Rent Sharing

January 24

- 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.
- Jäger, Simon and Heining, Jörg (2020) “How Substitutable Are Workers? Evidence from Worker Deaths” <http://economics.mit.edu/files/16635>
- Jäger, Simon, Benjamin Schoefer, and Jörg Heining (2020) “Labor in the Boardroom.” NBER WP No. w26519.
- Kline, Patrick, Neviana Petkova, Heidi Williams, Owen Zidar (2019) “Who profits from patents? rent-sharing at innovative firms.” *Quarterly Journal of Economics* 134.3 : 1343-1404.
- Rose, Nancy (1987) “Labor rent sharing and regulation: Evidence from the trucking industry,” *Journal of Political Economy* 95(6): 1146-1178.

### 4. Firm-level Determinants of Wages and Productivity: Management Practices

January 31

- Bertrand, Marianne and Antoinette Schoar (2003) “Managing with style: The effect of managers on firm policies,” *Quarterly Journal of Economics*, 118(4): 1169-1208.
- Bloom, Nicholas and John Van Reenen (2007) “Measuring and explaining management practices across firms and countries,” *Quarterly Journal of Economics*, 122(4): 1351-1408.
- Bender, S., Bloom, N., Card, D., Van Reenen, J., and Wolter, S. (2018) “Management practices, workforce selection, and productivity.” *Journal of Labor Economics*, 36(S1), S371-S409.
- Bloom, Nicholas, Erik Brynjolfsson, Lucia Foster, Ron Jarmin, Megha Patnaik, Itay Saporta-Eksten, and John Van Reenen (2019) “What Drives Differences in Management Practices?” *American Economic Review*, 109 (5): 1648–83.
- Bloom, Nicholas, and John Van Reenen (2010) “Why Do Management Practices Differ across Firms and Countries?” *Journal of Economic Perspectives*, 24 (1): 203–24.

### 5. Peer Effects and Productivity

February 7

- Card, David, Alexandre Mas, Enrico Moretti, and Emmanuel Saez (2012) “Inequality at Work: The effect of peer salaries on job satisfaction.” *American Economic Review* 102(6): 2981-3003.
- Lazear, Edward, (2000) “Performance pay and productivity” *American Economic Review* 90(5): 1346-1361.
- Mas, Alexandre (2006) “Pay, Reference Points, and Police Performance.” *Quarterly Journal of Economics* 121(3): 783-821.
- Mas, Alexandre and Enrico Moretti (2009) “Peers at Work.” *American Economic Review* 99(1): 112-145.
- Nix, Emily (2020) “Learning spillovers in the firm”.

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## 6. Fairness Concerns and Social Preferences at the Workplace

February 14

- Bandiera, Oriana, Iwan Barankay, and Imran Rasul (2005) “Social preferences and the response to incentives: Evidence from personnel data” *Quarterly Journal of Economics* 120: 917-62.
- Breza, Emily, Supreet Kaur, and Yogita Shamdasani (2017) “The morale effects of pay inequality.” *Quarterly Journal of Economics* 133(2): 611-663.
- Dube, Arindrajit, Laura Giuliano, and Jonathan Leonard (2019) “Fairness and frictions: The impact of unequal raises on quit behavior.” *American Economic Review* 109(2): 620-63.

## Reading Week

February 21

## 7. Equalizing Wage Differentials

February 28

- Maestas, N., Mullen, K.J., Powell, D., Von Wachter, T. and Wenger, J.B. (2018). “The Value of Working Conditions in the United States and Implications for the Structure of Wages.” NBER WP No. w25204.
- Mas, Alexandre, and Amanda Pallais (2017) “Valuing alternative work arrangements.” *American Economic Review* 107(12): 3722-59.
- Roback, Jennifer (1982) “Wages, rents, and the quality of life,” *Journal of Political Economy* 90(6): 1257-1278.
- Rosen, Sherwin (1986) “The theory of equalizing differences,” Chapter 12 in *Handbook of Labor Economics*, Volume 1, edited by Orley Ashenfelter and Richard Layard: 641-692.
- Sorkin, I. (2018) “Ranking firms using revealed preference.” *Quarterly Journal of Economics*, 133(3), 1331-1393.

## 8. Roy Model

March 7

- Abramitzky, Ran, Leah Boustan, and Katherine Eriksson (2014) “A nation of immigrants: Assimilation and economic outcomes in the age of mass migration,” *Journal of Political Economy* 122(3): 467-506.
- Kirkeboen, Lars, Edwin Leuven, and Magne Mogstad (2016) “Field of study, earnings, and self-selection,” *Quarterly Journal of Economics* 131, 1057-1111.
- Roy, Andrew (1951) “Some Thoughts on the Distribution of Earnings” *Oxford Economic Papers New Series*, 3(2): 135-146.

## 9. The Evolution of Household Structure

March 14

- Autor, David, David Dorn, and Gordon Hanson (2019) “When Work Disappears: Consequences of the Declining Marriage-Market Value of Men for Marriage, Fertility and Children’s Living Circumstances.” *American Economic Review: Insights* 1(2), 161-78.
- Bertrand, Marianne, Patricia Cortes, Claudia Olivetti, and Jessica Pan (2020) “Social Norms, Labor Market Opportunities, and the Marriage Gap for Skilled Women.” *Review of Economic Studies*, forthcoming
- Goldin, Claudia, and Lawrence F. Katz. (2002) “The Power of the Pill: Oral Contraceptives and Women’s Career and Marriage Decisions.” *Journal of Political Economy* 110 (4): 730-70.
- Goldin, Claudia, Lawrence F. Katz, and Ilyana Kuzeimko. 2006. “The Homecoming of American College Women: The Reversal of the College Gender Gap.” *Journal of Economic Perspectives*, 20(4), 133-156.

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**10. Gender****March 21**

- Bursztyn, Leonardo, Thomas Fujiwara, and Amanda Pallais. 2017. “ ‘Acting Wife:’ Marriage Market Incentives and Labor Market Investments” *American Economic Review* 107(11): 3288-3319.
- Niederle, Muriel, and Lise Vesterlund. 2007. “Do Women Shy Away From Competition? Do Men Compete Too Much?” *Quarterly Journal of Economics* 122 (3): 1067–1101.
- Kleven, Henrik, Camille Landais, and Jakob Egholt Sogaard. “Children and gender inequality: Evidence from Denmark.” *American Economic Journal: Applied Economics* 11.4 (2019): 181-209.
- Sarsons, Heather. 2020. “Interpreting Signals in the Labor Market: Evidence from Medical Referrals,” Working Paper.

**11. Gig Economy****March 28**

- Chen, M. K., Rossi, P. E., Chevalier, J. A., and Oehlsen, E. (2019). “The value of flexible work: Evidence from Uber drivers”. *Journal of Political Economy*, 127(6), 2735-2794.
- Drenik, Andres, Simon Jäger, Pascuel Plotkin and Benjamin Schoefer (2020) “Paying outsourced labor: Direct evidence from linked temp agency-worker-client data.” NBER WP No. w26891.
- Goldschmidt, Deborah and Johannes Schmieider (2017) “The Rise of Domestic Outsourcing and the Evolution of the German Wage Structure.” *Quarterly Journal of Economics* 132 (3):1165-1217
- Katz, L. F., and Krueger, A. B. (2019) “Understanding trends in alternative work arrangements in the United States”. RSF: *The Russell Sage Foundation Journal of the Social Sciences*, 5(5), 132-146.

**12. Presentation of Research Paper Ideas****April 4****COURSE POLICY****Email**

Please feel free to email me questions or comments pertaining to the course, with the following caveat: the answer requires a one or two-line response. It is my experience that email is an inefficient way to discuss economics. Questions that require more than one or two-line answers are more appropriate for office hours. I will normally reply to emails within 24 hours, except on weekends.

**Quercus**

Announcements and other course materials will be posted on Quercus.

**Student Assessment**

Student grades are based on the following assessments:

<b>Assessment</b>	<b>Date</b>	<b>Weight</b>
Class Participation	Every Wednesday Lecture	20%
Referee Report	Friday, March 18th	15%
Term Paper	Friday, April 1st	35%
Final Exam	Final Assessment Period	30%

Assignments will be posted on Quercus and students will also submit their work on Quercus.

**Final Examination**

The final exam will be held in the Faculty of Arts & Science Final Assessment Period, and covers the entire course. If you miss the final exam you are governed by the Faculty’s rules for missing final examinations.

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## **Academic integrity**

Academic integrity is essential to the pursuit of learning and scholarship in a university, and to ensuring that a degree from the University of Toronto is a strong signal of each student's individual academic achievement. As a result, the University treats cases of cheating and plagiarism very seriously. The University of Toronto's Code of Behaviour on Academic Matters<sup>1</sup> outlines the behaviours that constitute academic dishonesty and the processes for addressing academic offences.

## **Accommodations for Religious Observances**

As a student at the University of Toronto, you are part of a diverse community that welcomes and includes students and faculty from a wide range of cultural and religious traditions. For my part, I will make every reasonable effort to avoid scheduling tests, examinations, or other compulsory activities on religious holy days not captured by statutory holidays. Further to University Policy, if you anticipate being absent from class or missing a major course activity (such as a test or in-class assignment) due to a religious observance, please let me know as early in the course as possible, and with sufficient notice (at least two to three weeks), so that we can work together to make alternate arrangements.

## **Ongoing Learning Disabilities or Accommodation Requirements**

Students with diverse learning styles and needs are welcome in this course. If you have an acute or ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) at the beginning of the academic year by visiting <http://www.studentlife.utoronto.ca/as/newregistration>. Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will assess your situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your needs or condition with any instructor, and your instructors will not reveal that you are registered with AS. Students cannot petition to re-write a quiz/test once the test has begun. If you are feeling ill, please do not start the online or in-class test, seek medical attention immediately, and the policy on Missed Term Work will apply.

## **Mental Health and Well-Being**

As a student, you may experience challenges that can interfere with learning, such as strained relationships, increased anxiety, substance use, feeling down, difficulty concentrating and/or lack of motivation, financial concerns, family worries and so forth. These factors may affect your academic performance and/or reduce your ability to participate fully in daily activities. There are resources for every situation and every level of stress. Please take the time to inform yourself of available resources. (<https://www.economics.utoronto.ca/index.php/index/internal/load/mentalhealth> and <https://mentalhealth.utoronto.ca/>).

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<sup>1</sup><https://governingcouncil.utoronto.ca/secretariat/policies/code-student-conduct-december-13-2019>