ECO340H1S
Labour Economics: The Distribution of Earnings

Department of Economics
University of Toronto

Winter 2022

Course description

Using tools from microeconomic theory and statistics, this course studies the determinants of wages across labour markets. Topics include: the theory of compensating differentials, human capital, discrimination, immigration, unions, and alternative models of compensation. In addition, students are introduced to microeconomic models of unemployment. Throughout the course, there is an emphasis on the evaluation of empirical evidence.

Course information

Instructor: Eva Vivalt
E-mail: eva.vivalt@utoronto.ca
Office hours: Friday 12:30-1:30 pm
https://utoronto.zoom.us/j/96093860157
Meeting ID: 960 9386 0157
Passcode: 323688

TA:
Alison Joan Cane
E-mail: a.cane@mail.utoronto.ca
Office hours: Wednesday 1-2 pm
https://utoronto.zoom.us/j/85642297559
Meeting ID: 856 4229 7559
Passcode: 068189

Learning objectives

The primary objective of the course is to introduce students to the main tools employed by labour economists to understand a variety of labour market outcomes pertaining to differences in wages and earnings across individuals or groups. More precisely, students should expect to:

1. Gain an understanding of the primary microeconomic models used by economists to analyze the wage and earnings distribution in labour markets;
2. Gain an understanding of first-order empirical features of the Canadian labour market, as well as key dimensions of the relevant public policy implications and interventions;

3. Learn to apply microeconomic models to questions pertaining to labour market outcomes;
4. Learn to apply econometric/statistical methods to describe, summarize, and estimate relationships between key labour market variables. This includes a critical understanding of the limits to attributing causality between these variables;
5. Learn how to use primary sources of labour market data;
6. Learn how to read academic papers;
7. Communicate effectively, especially in written work.

The course is designed to support these learning outcomes, with a blended focus on microeconomic modelling, "hands on" experience working with labour market data, and ample opportunities to develop writing skills.

Time zone information: All due dates and times are stated in local Toronto time. I will not accept confusion over time zones as an excuse for lateness or missed tests/work.

Organization:

With the pandemic, a lot is in flux. It seems like we are starting online and (hopefully) transitioning to in-person later in the semester. There are no guarantees.

Since at least part of the semester will be online, you will need:

- a working microphone and webcam (on a computer, not on a smartphone)
- a sufficiently good internet connection to participate in video calls
- the ability to upload files (e.g. Word, pdf) to Quercus

Technical difficulties are not a valid excuse for failing to submit assessments on time, so please be careful (e.g. make back-ups).

As mentioned, lectures and tutorials will sometimes be online. **Please check Quercus for the links, which will be posted in an announcement.**

Also regularly check Quercus for updates to the in-person/remote schedule, especially as the Covid-19 situation develops.

Office hours will be held fully on Zoom.

Lectures and Tutorials

Lectures: Thursday 10 am – 12 pm
Tutorials: Friday 10 am – 11 am

Pre-requisites

One of each of the following:

1. Microeconomics: ECO200Y1/ECO204Y1/ECO206Y1
2. Quantitative methods for economics or statistics: ECO220Y1/ECO227Y1/ (STA237H1, STA238H1)/(STA247H1, STA248H1)/(STA257H1, STA261H1)

You must meet the prerequisites before taking this course. The Department of Economics will check them and strictly enforce them, removing students who do not meet all requirements. I cannot waive the pre-requisites.

The course draws heavily on the material covered in both intermediate microeconomics and statistics (especially regression analysis).

Required text

The required course textbook is:

Labour Market Economics, 9th Edition, by Dwayne Benjamin, Morley Gunderson, Thomas Lemieux, Craig Riddell, Tammy Schirle

Additional required and optional readings will be announced in class and made available through the course website. Such readings include working papers, journal articles, and supplementary notes.

Requirements

The final grade for the course will be based on the following:

Percentage	Component	Due date(s)
10%	Participation	Throughout
15%	Class literature review	Friday, Feb. 4
10%	Project proposals for term paper	Friday, Feb. 11
25%	Midterm exam	Week of Feb. 28
40%	Term paper	Friday, Apr. 8

The public health situation may result in test date changes.

Participation: This is straightforward. Please participate. This includes active participation in tutorial.

Class literature review: We are going to work on a literature review as a class. This involves searching for, screening, and summarizing papers in a collective document in which changes are tracked and monitored. You will be graded on your own contributions to this group effort. The goal is to gain proficiency with reading academic papers.

Project proposals: This is a short individual assignment of 1 page in which you will outline how you will analyze a data set that will be provided to you. If two students submit substantially the same responses, **both** will be penalized.

Midterm exam: More detail will be provided in class on the types of questions you can expect and how to prepare. The goal is for this to be held in-person, but the pandemic situation makes it hard to guarantee. We will attempt to have it in-person during lecture the week of Feb. 28. However, the date is not guaranteed by any means, and it's possible it will need to shift dates and/or be remote.

Term paper: Students will complete the term paper **individually**. Each project will involve running some new analyses on a provided data set. The term paper is due on Friday, Apr. 8. You should structure your work on the paper so that you get the bulk of it done early. Again, your work must be your own. You were warned.

A more detailed rubric will be provided, but you will want to include: an overview of the paper, including motivation and literature review, details about its data, methods, and results.

The paper has a firm page limit of 7 pages, double-spaced. Students must also submit clean replication files with their project (i.e., both the data and the code used on those data, such that a third party could obtain the same results by running the code on the data).

Class Schedule

Week of	Topic	Assessment/tutorial
Jan. 10	General introduction	Introduction to Stata in tutorial
Jan. 17	Estimation	Review
Jan. 24	Wages across markets	Review
Jan. 31	Human capital 1	Class literature review due
Feb. 7	Human capital 2	Project proposals due
Feb. 14	Immigration 1	Review

-Reading Week-

Feb. 28	Midterm	Midterm
Mar. 7	Immigration 2	Review
Mar. 14	Unions 1	Review
Mar. 21	Unions 2	Review
Mar. 28	Optimal compensation systems 1	Review
Apr. 4	Optimal compensation systems 2	Final paper due

Software

The course involves empirical analysis, so some kind of programming language or statistical software must be used. This course will use Stata *only*.

Stata is more accessible to the beginner, and many journal articles use Stata.

You can purchase Stata online at:
http://www.stata.com/order/new/edu/gradplans/cgpcampus-order.html A six month license will be sufficient. "Small Stata" is unlikely to suffice – go for Stata "IC". The TA will also show you (in week 1) how to access Stata through the university, if you prefer.

If you already know another programming language, like R or Python: Way to go! That's awesome! But, unfortunately, anything other than Stata won't be accepted this semester given everything else going on with the pandemic. You can come to my office hours to ask for an exemption, say to use Matlab instead, but since all the instruction in class will refer to Stata, it would be much more challenging for you to do anything else, and you will be required to use Stata for the term paper so that they can be graded efficiently.

Course website, communications, and online lectures / tutorials:

We will be using Quercus to manage class communications, so it is **essential** that you log on and provide an email address that you check regularly! Make sure you are receiving notifications!

Course policies

Examinations:

Appeals policy:

If a student wishes to appeal their midterm grade, or their grade on any other term assignment, they must submit a written explanation as to why they think their grade is mistaken.

You have two weeks from when an assignment's results are released to appeal the assessment's grade. The first week is a one-week "cooling off" period during which no appeals will be considered; you must submit your written explanation in the second week.

Please note that apart from trivial appeals such as points being added incorrectly, the entire item will be re-graded, and the appealed grade can be lower or higher than the original grade.

Missed tests:

A grade of zero will be given to students who do not write the midterm test, unless an appropriate and convincing note is received within one week of the missed test explaining why the test was missed.

For this semester, the Verification of Illness (or "doctor's note") is not required. Students who are absent from academic participation for any reason (e.g., COVID, cold, flu and other illness or injury, family situation) and who require consideration for missed academic work **must** record their absence through the ACORN online absence declaration. It is an academic offense to feign illness to avoid a test.

If a student has been excused from a midterm exam, they will be permitted to complete a "make-up" oral test one-on-one on Mar. 11.

- Consistent with university policy, there is no "make-up test" for the make-up test. No medical excuses will be accepted, and a grade of zero will be applied if a student fails to take the make-up test.

Late assignments:

The class literature review, project proposal and the term paper are due at 11:59 pm Toronto time on the assigned dates.

Late submissions will receive a grade of zero.

For the term paper, the late penalty is 10% per day, for a maximum penalty of 50%. A project submitted more than 5 days late will be assigned a grade of zero. You must submit your code as part of your assignment. Failure to turn in the code on schedule for any reason (including submitting it but the file being corrupted) will incur the same penalties for the percent of the group project grade that the code is worth.

E-mail policy:

I will do my best to respond to e-mail within 48 hours, but:

a) I will not reply to e-mails that request information that can be found on the website or the syllabus, so you should check those places first;
b) I will only respond to e-mails posing questions that can be answered in a sentence or two. Please consider whether your question is posed in such a way that it can be answered succinctly, and for detailed questions, please see me in office hours;
c) I will not reply to e-mails regarding the results of graded material – for that, please see me in office hours;
d) Please, please put "ECO340" in the subject line. Thanks!

If you have been waiting for a response, please double-check these items. If a question is of general interest, I may also send a Quercus announcement about it, so check there, too.

Academic misconduct:

All suspected cases of academic dishonesty will be investigated following procedures outlined in the Code of Behaviour on Academic Matters. If you have questions or concerns about what constitutes appropriate academic behaviour or appropriate research and citation methods, please reach out to me. Note that you are expected to seek out additional information on academic integrity from me or from other institutional resources (for example, the University of Toronto website on Academic Integrity, http://academicintegrity.utoronto.ca/). **Ignorance of the rules does not excuse cheating or plagiarism.**

Plagiarism Detection:

Normally, students will be required to submit their course essays to the University's plagiarism detection tool for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the tool's reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of this tool are described on the Centre for Teaching Support & Innovation web site (https://uoft.me/pdt-faq (Links to an external site.)).

Accessibility:

Students who require accommodation must register with Accessibility Services: https://studentlife.utoronto.ca/service/accessibility-services-registration-and-documentation-requirements/.

More generally, you may find other resources at Accessibility Services here: https://studentlife.utoronto.ca/department/accessibility-services/.

The Academic Success Centre can also help you with your learning goals: https://studentlife.utoronto.ca/department/academic-success/.

If you have any issues that affect you more than 3-4 days, please contact your College Registrar immediately so they can help: https://www.artsci.utoronto.ca/current/academic-advising-and-support/college-registrars-offices.

For course-related issues, please stop by office hours.

Recording:

This course, including your participation, may be recorded on video and made available to students in the course for viewing remotely.

Course videos and materials belong to your instructor, the University, and/or other sources depending on the specific facts of each situation and are protected by copyright. In this course, you are permitted to download session videos and materials for your own

academic use, but you should not copy, share, or use them for any other purpose without the explicit permission of the instructor.

For questions about the recording and use of videos in which you appear, please contact your instructor.

Safety:

Should we be able to return to in-person instruction, as I expect we will, please bear in mind that many students may feel anxiety about in-person instruction during this time period. The TA and I are committed to maintaining as safe a learning environment as possible under university requirements. This includes abiding by the mask policy – if a student claims to have an exemption, they will be asked for their required letter from Accessibility Services.

Please look out for each other and be sensitive to others in your class who may either be more at risk themselves or living with people who are more at risk. Even if Omicron is "less severe", you never know everyone else's situation.

Final thoughts:

This semester will have its own challenges. Please, let's all be kind to each other. Start things early, well in advance of deadlines. Chat with others using Quercus discussions for additional support.

Best of luck in this course and outside of it!