

Labor Economics

Syllabus

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1 Lectures, Seminars and Office Hours

- Lectures: Mondays 15:10–16:30, room 5306
- Seminars: Tuesdays 12:10–13:30 and 13:40–15:00, room 4405
- Office Hours: Fridays 15:00–17:00. Room 3430.

2 Course description

Labor Economics is a one-semester course designed for bachelor's students at ICEF. The main objective of the course is to introduce students to the exciting applied field that is labor economics. The leading idea throughout the course is that economics is an empirical science (not a set of theorems) meant to explain actual behavior. In addition, the labor market is the playing field for numerous important economic policies and institutions: payroll taxes, minimum wages, collective bargaining, etc. A major task for labor economists is to explain how markets function under these regulations.

The prerequisites of the course are introductory microeconomics and a course in either Statistics or Econometrics. The knowledge of econometrics software is a plus. The course is taught in English.

3 Teaching methods

The following methods and forms of study are used in the course:

- Lectures
- Problem solving and discussion at Seminars
- Self-study in computer lab (doing home assignments using Excel and STATA, working with economic data, doing research on the web)
- Self-study with literature

4 Assessment

1. Homework Assignments
2. Midterm exam (80 minutes)
3. Written final exam (80 minutes)

Grade determination

This course includes one control work and one written final exam. The main form of control is the final exam at the end of the semester, which contributes 40% of the final grade. However, note that **obtaining a passing grade in the final exam is necessary in order to get a passing mark for the course**. The final grade is also partly determined by the midterm exam (35%), and the home assignments (25%).

The home assignments are going to be managed by the TA for the course, Arturs Meskovskis (artursmeskovskis@gmail.com). Most assignments will involve critically reading a published research article and reproducing some of the results using either original data or a different dataset. At least one homework will ask you to use the Russian Longitudinal Monitoring Survey. Some other homeworks will be more traditional, asking you to solve standard problems related to the material presented in lectures.

You are expected to complete all assignments in time. No late homework will be accepted. Homework should be written in English.

5 Readings

Mandatory

1. Borjas, George J. *Labor Economics*. McGraw-Hill, 6th edition, 2013. (*Borjas*)

Additional Readings

1. Angrist, J. and Pischke, J. *Mostly Harmless Econometrics: An Empiricist's Companion*. Princeton Univ Press, 2009.
2. Boeri, T. and van Ours J. *The Economics of Imperfect Labor Markets*. Princeton Univ Press, 2008.
3. Becker, Gary S. *Human Capital. A Theoretical and Empirical Analysis with Special Reference to Education*. The Univ of Chicago Press, 1993.
4. Cahuc P. and Zylberberg, A. *Labor Economics*. The MIT Press, 2004.

Internet Resources and Databases

1. *Course web site*. <https://sites.google.com/site/iceflaborecon/>
2. *The Current Population Survey Main Page*. www.census.gov/cps.
3. *The Russian Monitoring Survey*. <http://www.cpc.unc.edu/projects/rlms>.

6 Course Outline

Introduction to Labor Economics Basic definitions and facts. Labor economics as applied microeconomics. Labor economics and econometric methods. Labor economics and policy.

Borjas, Chapter 1.

Labor Supply Why work? The neoclassical theory of labor supply. Preferences and budget constraint. Extensive and intensive margins. Estimating labor supply elasticity. Policy applications: taxation of earnings.

Borjas, Chapter 2.

Home production. The economics of the family The multiple tradeoffs of modern families. Children and parents' labor supply. Policy application: maternity capital.

Gronau, Reuben. "Leisure, Home Production, and Work: The Theory of the Allocation of Time Revisited." *Journal of Political Economy* 85, no. 6 (December 1977): 1099–1124.

Labor Demand Labor demand as a derived demand. Labor demand in the short run and the long. Marshall's Rules. Policy applications: the minimum wage.

Borjas, Chapter 3.

Human Capital Theory Investment in education and training. The signalling debate. Policy application: training programs. *Borjas*, Chapter 6.

Labor Market Equilibrium The competitive labor market. Monopsony. Policy application: the impact of immigration

Borjas, Chapter 4.

Wage Differentials and Wage Structure Compensation for risk. Policy application: why did wage inequality increase?

Borjas, Chapters 5 and 7.

Labor Mobility Migration as a human capital investment. Job turnover and matching. Policy application: intergenerational mobility

Borjas, Chapter 8.

Unemployment Types of unemployment. Job search. Efficiency wages. The Phillips curve. Policy application: European unemployment

Borjas, Chapter 12.

7 Distribution of Hours

Week	Topic title	Lectures	Contact hours	Self-study
1	Introduction	2	2	6
2-3	Labor Supply	4	4	8
4	Home Production	3	6	6
5	Labor Demand	3	6	8
6-7	Human Capital	4	8	8
8-9	Labor Market Equilibrium	3	6	6
10-11	Wage Differentials	3	6	6
12-13	Labor Mobility	3	6	6
14-15	Unemployment	4	8	8
	Total	29	52	62