

**Northeastern University, Department of Economics**  
**CECNG764: Topics in Labor Economics**  
**Fall 2005, Tuesdays and Fridays, 4-5:30 pm**

**Contact Information**

Prof. Jody Schimmel  
j.schimmel@neu.edu  
312A Lake Hall  
Phone: (617)373-2886  
Office Hours: Tues. and Wed. 10-11:30am

**Course Overview**

This course exposes students to a variety of current theoretical and empirical topics in labor economics that build on the models developed in CECNG763. The primary goal of this course is to prepare students to do their dissertation research in the field of labor economics, and in turn, be able to present and explain this work to others in the field. In light of this goal, the requirements for this course will consist of a mixture of writing assignments, presentations, and exams that will require you to understand how theoretical models are applied to empirical problems. Topics that may be covered this semester include: life cycle analysis (intertemporal labor supply and retirement), the interaction of social insurance programs and labor supply, minimum wage legislation and its effect on labor supply, and earnings inequality and discrimination. We will study the theoretical underpinnings of each of these topics, discuss relevant literature and econometric methods, and critically assess the relationship between the empirical results in the literature and related theory.

**Course Outline and Reading List**

An outline of the rough breakdown of when you should plan to cover topics is below. Some of these topics will have been covered previously in CECNG763; in these cases, students will be expected to move rather quickly through that material so that we may focus on extensions of the fundamentals. For each topic, we will spend one or two meetings times on the theoretical model, approximately one meeting on empirical strategies and main results in the literature. Additionally, there will be one journal article on each topic that will be presented by students.

Background reading on each topic will come from Ehrenberg and Smith's *Modern Labor Economics* text, which was used in CECNG763 and provides an advanced undergraduate background for topics in labor economics. Cahuc and Zylberberg's *Labor Economics* also provides a more theoretical treatment of the topics in this course and may be consulted as an additional reference as needed. Additional readings will come from the *Handbook of Labor Economics* and/or journal articles. I will attempt to post all of the required non-textbook readings on the course Blackboard page. The Handbooks should be available in the Snell library. Journal articles can be found on JSTOR or on the NBER Working Paper webpage.

The readings listed here are only those required for the course; if you would like additional readings on any topic covered, please see me and I will be happy to provide you with a more extensive list of references. Articles marked with a (~) will be assigned for student presentation. Readings denoted with a (\*) are those that will be used for the “referee report” assignments and will only be discussed minimally in class.

1. Static Labor Supply- Review of Empirical Findings and the Theoretical Model

Ehrenberg and Smith, Chapter 7

Pencavel, “Labor Supply of Men: A Survey,” *Handbook of Labor Economics*, Volume 1, pp. 7-31

Blundell and MaCurdy, “Labor Supply: A Review of Alternate Approaches,” *Handbook of Labor Economics*, Volume 3, pp. 1572-1589

2. Intertemporal Labor Supply- Theoretical Model and Evidence

Ehrenberg and Smith, Chapter 8

Pencavel, “Labor Supply of Men: A Survey,” *Handbook of Labor Economics*, Volume 1, pp. 44-51

Blundell and MaCurdy, “Labor Supply: A Review of Alternate Approaches,” *Handbook of Labor Economics*, Volume 3, pp. 1591-1599

MaCurdy, T. (1981). “An Empirical Model of Labor Supply in a Life-Cycle Setting.” *Journal of Political Economy*, 89(6). -Read pages 1064-1074.

Oettinger, G. (1999). “An Empirical Analysis of the Daily Labor Supply of Stadium Vendors,” *Journal of Political Economy*, 107(2):360-392.

\*Camerer, C. et al. (1997), “Labor Supply of New York City Cab Drivers: One Day at a Time,” *Quarterly Journal of Economics*, 112(2):407-441.

\*Farber, H. (2003). “Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers,” NBER Working Paper 9706.

3. Retirement- Basic Theoretical Models and Empirical Determinants

Gustman, A., O. Mitchell, and T. Steinmeier (1995). “Retirement Measures in the Health and Retirement Study.” *Journal of Human Resources*. 30:S57-S83.

Lazear, “Retirement from the Labor Force,” *Handbook of Labor Economics*, Volume 1, pp. 312-316

Lumsdaine and Mitchell, “New Developments in the Economic Analysis of Retirement,” *Handbook of Labor Economics*, Volume 3, pp. 3263-3278, 3287-3299

~Coile, C. (2003). “Retirement Incentives and Couples’ Retirement Decisions.” *NBER Working Paper*, Number 9496.

4. Social Insurance and the Impact of Taxes and Transfers on Intertemporal Labor Supply

Pencavel, “Labor Supply of Men: A Survey,” *Handbook of Labor Economics*, Volume 1, pp. 35-44

Blundell and MaCurdy, “Labor Supply: A Review of Alternate Approaches,” *Handbook of Labor Economics*, Volume 3, pp. 1618-1622, 1638-1643.

Krueger, A. and B. Meyer (2002). “Labor Supply Effects of Social Insurance.” NBER Working Paper 9014.

~Cullen, J.B. and J. Gruber (2000). "Does Unemployment Insurance Crowd Out Spousal Labor Supply?" *Journal of Labor Economics*, 18(3):546-572.

#### 5. Review of Labor Demand: Theory and Elasticities

Ehrenberg and Smith, Chapters 3 and 4

Hamermesh, "The Demand for Labor in the Long Run," *Handbook of Labor Economics*, Volume 1, pp. 429-435, 447-466

~Bound, J. and G. Johnson (1992). "Changes in the Structure of Wages in the 1980s: An Evaluation of Alternative Explanations," *American Economic Review*, 82(3):371-392.

#### 6. Topics in Labor Demand: Minimum Wage

Ehrenberg and Smith, Chapter 5

Brown, "Minimum Wages, Employment, and the Distribution of Income," *Handbook of Labor Economics*, Volume 1, pp. 2102-2113.

~Meyer, R. and D. Wise (1983). "The Effects of Minimum Wage on the Employment and Earnings of Youth," *Journal of Labor Economics*, 1(1):66-100.

\*Katz, L. and A. Krueger, (1992). "The Effect of the Minimum Wage on the Fast Food Industry," *Industrial and Labor Relations Review*, 46(1):6-21.

\*Card, D. and A. Krueger (1994). "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4):772-793.

#### 7. Market Equilibrium- Compensating Wage Differentials

Ehrenberg and Smith, Chapter 8

Rosen, "The Theory of Equalizing Differences," *Handbook of Labor Economics*, Volume 1, pp. 641-658.

~Gruber, J. (1994). "The Incidence of Mandated Maternity Benefits," *American Economic Review*, 84(3):622-641.

#### 8. Race and Gender in the Labor Market- Evidence and Models of Discrimination

Ehrenberg and Smith, Chapters 12 and 14

Altonji and Blank, "Race and Gender in the Labor Market," *Handbook of Labor Economics*, Volume 3, pp. 3146-3180.

Cain, "The Economic Analysis of Labor Market Discrimination," *Handbook of Labor Economics*, Volume 1, pp. 709-731.

~Blau, D. and L. Kahn (1997). "Swimming Upstream: Trends in the Gender Wage Differential in the 1980s," *Journal of Labor Economics*, 15(1):1-42.

As time permits, we will spend time talking about common datasets used for empirical labor research. I will try to cover the Census, CPS, PSID, NLSY, SIPP, and HRS; discussing basic sample design, strengths, and limitations. There are also many other smaller datasets with very rich information that we will not have time to mention.

Additional topics will be covered as time permits and/or based on student interest

### **Prerequisites**

The prerequisite for this course is CECNG763, which has as its prerequisites Microeconomic Theory II (CECNG710) and Applied Econometrics II (CECNG740), or permission of the instructor. If you have not satisfied the prerequisites for this course, please see me ASAP.

### **Course Requirements**

There will be one midterm (covering static and intertemporal labor supply, retirement, and social insurance) and a comprehensive final exam. The midterm exam will be given in the first meeting on the week of October 31. The final exam will be comprehensive and will be given the week of December 12. Some practice questions to give a flavor for the types of questions that will be asked will be provided ahead of each exam.

For each topic, we will read at least one piece of related empirical literature. I have tried to pick recent or seminal pieces that will allow us to study the econometric techniques and datasets commonly used by labor economists. Because the course is relatively small this year, I will lead the discussion on several of the articles. Students will be expected to lead discussion on the readings denoted with a (~), based on a discussion guide I will provide. You are not expected to have mastered every aspect of the article, but should be able to summarize the main points of the article, the dataset and empirical methods used, and how these aspects relate to the basic theoretical model presented in class. Together, we will investigate how the econometric models are identified, question the assumptions underlying the model, and relate these papers to others in the literature. Notice that most of the student-led presentations are towards the end of the semester. Thus, please begin to work through these articles sooner rather than later. While we may not have completely covered the theory by the time you read the article, I will be happy to meet with you to discuss the econometrics.

Students will be expected to write two “referee” reports. Like the in-class presentations, the intent of these assignments is to help students think critically about model assumptions, specification, and identification. Unlike actual referee reports, these projects will require you to compare and contrast two articles in the empirical literature and relate them to their theoretical framework. The first report, due October 14, will cover intertemporal labor supply as it relates to cab drivers in New York City. The second report, due November 28, deals with labor demand, specifically the effect of the minimum wage on the fast food industry. These assignments will be discussed in more detail in future assignments.

The breakdown of how the final grade will be determined is:

“Referee” reports	20% (10% each)
Student presentation of journal articles	30%
Midterm exam	20%
Final exam	30%

**Grading Policies**

Late assignments will not be permitted, nor will make-up exams be given. I will do my best to stick to the Planned Calendar for presentation dates, but based on our progress, these dates might change slightly. I will give you as much notice for such changes as possible. If you have a valid reason for needing an extension on a particular project, please discuss it with me as soon as possible.

Because some of the assignments in this course are writing-based, it is important to remember that plagiarism is a serious offense. Be sure to give proper citation to any works you discuss. Anyone caught plagiarizing, even the smallest amount, will receive an F in the course and be reported to the Graduate Academic Standing (GASC) for further disciplinary action. Similar action will be taken for students caught cheating on exams.