Syllabus: Labor Economic Theory I

Labor Economic Theory
New School for Social Research
Fall 2013
Professor Teresa Ghilarducci : Ghilardt@newschool.edu
Selected: Mondays at 4 – 6 Room to be announced

Syllabus and Reading List

This is a graduate survey course in labor economics. The main goals of the course are to survey the perennial topics in labor economics to prepare students to engage in original research and teach labor economics in several economic traditions. The student will be able to distinguish between several schools of thought in labor economics: neoclassical, institutionalism and radical political economy.

There will be a class blog assignment every week using Blackboard.

Specific objectives include understanding modern research methods in labor economics and the dominant and heterodox models of labor markets. Students will be able to explain the most important labor market outcomes using various analytical frameworks including ones that assume varying degrees of market power, full employment, and constraints on choice. Some labor union history, regulatory issues will also be covered.

Requirements:
Each student should read the material prior to class and be prepared with questions and critical analysis. Each student will present one or more of the selected articles on the reading list (according to the guidelines below) to the class. There will be one policy debate on the minimum wage. There will also be a final exam and several short problem sets. The grade will be based on the presentations (20%), the problem sets (20%), the participation in class (20%), the policy debate (10%), and the final exam (30%).

Problem Sets:
The three problem sets – Sept. 30, Nov. 4, Nov. 25 -- and the debate October 7 and take home exam delivered Dec. 16 due four days later on Dec. 20 will help you assess your understanding of the model and various common skills needed to do and read labor economics. I will ask you to email the answers several days before class so I may have meaningful comments and you will be able to prepare for the next class discussion.

Presentation:
Each student will write a brief review of one or more of the articles – about 500 words -- present the article(s) in the class, design an in-class exercise, and supply anecdotes or data to illustrate the point of the article(s). In addition, each student will email to everyone, at least two days before class, comments and questions about the readings so the presenter, some other student, or me can prepare an answer and think about the issue. Anecdotal evidence suggests that the ability to share ideas before class through email might be the most important pedagogical improvement due to technology! Your presentation should no more than 30 minutes.

Notes about our community and class process:
We have the advantage of meeting in large chunks of time to make connections between traditions and readings more easily. This opportunity means that preparation, attendance, and participation are crucial. I can meet by phone or email with each presenter before her or his presentation. I can also meet with
students before 4:00 each day of classes and can also meet by appointment on Tuesdays, even Tuesday evening. I am always available by phone or email: Ghilardt@newschool.edu or 646-369-7136 cell phone.

**Required Textbooks**

1. Bruce Kaufman and Julie Hotchkiss (Sixth or fifth editions are fine and cheaper!) *The Economics of Labor Markets*, Thompson South Western.

**Foundational Reading List**

1. **Trends in Salaries, Status, Safety, Security, and Satisfaction**
   
   **Introduction:** September 3. Mark Levinson, “The State of the Labor Movement and US Labor Markets – Power and Plenty” *(Presentations assigned at this lecture. Tuesday at 4:00)*

   **Readings:**

   Alesina, “Why Do Americans Work so Hard”


   Some helpful websites: www.bls.gov, Check the  http://www.bls.gov/cew/cewnaics.htm, Workforce Week <workforceweek@email.workforceonline.com>

   Assignment for 5 minute presentation due on Sept. 9. Please tell me on Tuesday what topic you will present on, you must synthesize secondary and primary data quickly and produce a two page memo with a few graphs.

   **Trends in Salaries, Status, Safety, Security, and Satisfaction (including compensating wage differentials in the U.S. Labor Market.**

   1. **Does it Pay to Go to College?**

   2. **Unemployment and vacancies: How many jobs are there for everyone looking? How do you know? What are the consequences? (Hint: check out JOLTS and the Earnings and Employment Report of the BLS)**

   3. **Unemployment rates are trending down, things look good for workers? Trends in wage and employment cost growth by race, sex, education level. (Hint: check out comments from the July jobs report and Floyd Norris on the NIPA accounts August 10 in the New York Times and**

   3. **Collective Bargaining and Unionization; What is a union, collective bargaining. What are the trends in Unionization in the US**

Kaufman and Hotchkiss. Chapter 6, The Iconic Case of the Minimum wage:


6. Are Women Discriminated in the Labor Market? How do you know? What are the consequences? This exercise telescopes the material in each of the next 14 lectures.

September 9 (presentations and select Debate teams for October 7)

2. The American Labor Force and Institutions: This class describes the historical definition of labor and capital, introduces the uniqueness of a labor market and the institutions shaping supply and demand in the context of the current economy. Each student will deliver their FIVE minute update (with a handout) on an aspect of the labor market.


Manning, Chapters 1, 2, and 4


September 16

3. Labor Supply

If wages were cut one cent would a firm lose all of its workers? How elastic is the Labor supply curve? This class is a review of neoclassical supply for labor and helps answer the question about whether there is a there a labor leisure tradeoff and what makes people work? Expectation: I hope that every student would be able to answers to the basic question: Show in the neoclassical labor economics model if wages
are dropped by a nickel a firm won’t have any workers. Why, in the model, do workers get paid exactly what they are worth and no more and no less? Why does consumer demand always determine what people are worth? In other words why in a neoclassical class does filing in the blank with “Derived” always garner 15 points!

Kaufman and Hotchkiss, Chapter 1, “Introduction to Labor Market Traditions” and Chapter 2, “Hours of work” and Kaufman and Hotchkiss, Chapter 3, “Labor Force Participation” and Manning, Chapters 1, 2, and 4


September 23

4. Labor Demand: How steep is the demand curve; where is it positioned?

This class is a review of the microeconomics of firms’ demands for factors of production, namely labor with emphasis on the differences between the perfectly competitive case and the case where firms have power. Students will know the Marshallian Determinants of labor demand. We will use the story of the PATCO strike to illustrate the determinants of demand. Kaufman and Hotchkiss, Chapter 4, 5, 6, and assignment received

Kaufman and Hotchkiss, Chapter 4, “Demand for Labor in the Competitive model” Kaufman and Hotchkiss, Chapter 5, “Demand for Labor in Imperfect Markets”


Kaufman and Hotchkiss, Chapter 6, “The Determination of Wages” including Monopsony in Labor Markets


*Hicks, JR. 1964 The Theory of Wages second edition 1964


Assignment received September 23 and Due Sept. 30

September 30

Applied Labor Supply and Demand

Audio pod casts: Fast Food worker strikes:
http://www.npr.org/player/v2/mediaPlayer.html?action=1&t=4&islist=false

Kaufman and Hotchkiss. Chapter 6, The Iconic Case of the Minimum wage

Manning, Chapter 5. Wage Policies of Employers
Manning, Chapter 12. Minimum Wage and Trade Unions
Minimum wage history at the DOL website: http://www.dol.gov/esa/minwage/coverage.htm

October 7
6. DEBATES: Should the United States Raise the Minimum Wage 10% now. See posted assignment and attached on rules for policy debates.

October 14
7. Labor Market Institutions and The Role of Employers
Internal Labor Markets Dual markets can come about because of path dependent and institutional reasons.

October 21
8. Labor Market Dynamics and Labor Mobility
Earnings Over a Person’s Life: Search Theory or Chutes and Ladders ?? We discuss how workers’ earnings develop over time. Since most people want to prevent downward mobility how does the labor market help do that? How Does a Person Improve Their Lives?
Kaufman and Hotchkiss, Chapter 7
Manning, Chapter 6. “Earnings and the Life Cycle”
Manning, Chapter 8. “Employers and Wages, Correlations between employer characteristics and wages”
“Strategies for Improving the Economic Mobility of Workers: A Conference Preview, Chicago Fed Letter, December 2007, Number 245

*Ross, Arthur. 1958. Do We Have A New Industrial Feudalism American Economics Review.


October 25 – FRIDAY
Robert Gordon on the Labor economics of David Gordon

October 28
Occupational Wage Differentials
Kaufman, Chapter 8*, “Occupational Wage Differentials”
Harris, Gardiner. 2006. “Endemic Problem of Safety in Coal Mining” January 10 New York Times
Berger, Mark C; Black, Dan A; Scott, Frank A. Is There Job Lock? Evidence from the Pre HIPAA Era Southern Economic Journal. April 2004; 70(4): 953-76

Are Mandated Health and Safety Committees Substitutes for or Supplements to Labor Unions?; David Weil; Industrial and Labor Relations Review , Vol. 52, No. 3 (Apr., 1999), pp. 339-360; Published by: Cornell University, School of Industrial & Labor Relations: Article Stable URL: http://www.jstor.org/stable/252513

Building safety: The role of construction unions in the enforcement of OSHA, by • David Weil, Journal of Labor Research Winter 1992, Volume 13, Issue 1, pp 121-132 (the construction industry operates under a “two-tiered” safety and health regulatory system.)

“Is OSHA working for working people?” : hearing before the Subcommittee on Employment and Workplace Safety of the Committee on Health, Education, Labor, and Pensions, United States Senate, One Hundred Tenth Congress, first session, on examining the effectiveness of the Occupational Safety and Health Administration (OSHA), April 26, 2007.

Homework Assigned DUE Nov. 4

November 4
Labor Market Structures, Labor Segmentation and Dual Labor Markets
This class discusses the relative mobility between jobs and whether people are paid for who they are or what job they have.

Homework DUE Nov. 4

November 11
Human Capital Theory: The first class discusses the neoclassical models, the choice theoretic models, and human capital theory.
Kaufman, Chapter 7, “The Theory of Human Capital”
Manning, Chapter 11, “Human Capital and Training”

Homework Assigned DUE Nov. 25

November 19 Tuesday Economics Seminar David Neumark
November 18
The class explores the literature on gender and race discrimination.


Neumark, David. Age Discrimination


Nov. 25

Labor Market Structures, Labor Segmentation and Dual Labor Markets

This class discusses the relative mobility between jobs and whether people are paid for who they are or what job they have.


Homework DUE Nov. 25

Dec. 9

This class will explore the role of trade unions in the labor market

Symposium: Kaufman, Bruce and Kenneth McLennan (from Management’s Perspective and Steven Sleigh (From Unions Perspective) and Richard Freeman What Do Unions Do?: a 20-year Perspective. Journal of Labor Research. Fall 2005


Dec. 16

Unemployment: Macro Causes


*Summers, Lawrence. 1986. "Why is the Unemployment Rate So Very High at Full Employment?" Brookings Papers on Economic Activity 2

Efficiency Wages


Unemployment and Labor Discipline


Stiglitz. Unemployment as a Discipline Device

Institutional Disequilibrium
Cappelli. Chapter 1 Why Aren’t Vacancies Being Filled
Cappelli. Chapter 4. Something is Wrong With the Hiring Process

Take Home Exam Due Dec. 20 at noon.