

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.
2. Alan Manning. *Monopsony in Motion*, Princeton University Press
3. Peter Cappelli. "Why Good People Can't Get Jobs, Peter Cappelli, Wharton Press

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:

Cappelli, Peter. 2012. Chapter 1. Why Aren't the Vacancies Being Filled."

Cappelli, Peter. 2012. Chapter 2. The Skills Gap Debate

Cappelli, Peter. 2012. Chapter 3. Workforce Facts and Myths

Alesina, "Why Do Americans Work so Hard"

*Autor, David. Lawrence Katz, Melissa Kearney, 2005. "The Polarization of the U. S. Labor Market"
http://www.aeaweb.org/annual_mtg_papers/2006/0106_1015_1201.pdf

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);

2. 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

4. Minimum and Living Wages; Discuss the complaints and tactics of the Fast Food Strikes (Hint: check out JOLTS and the Earnings and Employment Report of the BLS and 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):

5. Wages and Safety in Bangladesh and China– do jobs pay or bad characteristics (Smith, Adam. 1776. The Wealth of Nations Chapter Ten. Part 1: Kaufman, Chapter 8*, “Occupational Wage Differentials” Harris, Gardiner. 2006. “Endemic Problem of Safety in Coal Mining” January 10 New York Times)?

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.

Marx, Karl. Written in 1944 published in 1927. “Alienated Labor.” Reprinted in Making Connections Across the Curriculum. Edited by Chittenden et. al. in 1986 New York. *Bedford St Martins* 289-295.

Taylor, Fredrick. 1911. (Chapter 1 from Principles of Scientific Management published in 1911 Frederick W. Taylor, *The Principles of Scientific Management* (New York: Harper Bros., 1911): 5-29 available on the Internet Modern History Sourcebook, http://www.fordham.edu/halsall/mod/1911_taylor.html

Manning, Chapters 1, 2, and 4

*Linder, SB. 1970. "The Increasing Scarcity of Time" reprinted Readings in Labour Economics editor J.E. King, Oxford, Oxford University Press, 1980.10-16)

*Bowles Samuel and Gintis, Herb Gintis, 1977. "Heterogeneous Labor and the Labor Theory of Value: a Critique and reformulation" Cambridge Journal of Economics 1(2) 173-92.

*Shaikh, Anwar. 1990. “Abstract Labour and Concrete Labour. *Marxian Economics* A New Palgrave Macmillian Press pp. 42-43.

*Jacoby, Sanford, 1985. "The Way It Was" and Chapter 2 "Systematic Welfare and Management and Welfare Work" in Employing Bureaucracy Columbia University Press. :13-64

*P. Goldman and Donald R. Van Houten. 1976. "Bureacracy and Domination: Managerial Strategy in Turn of the Century American Industry" reprinted in The Transformation of Industrial Organization: Management, Labor, and Society in the United States edited by Frank Hearn, Wadsworth Publishing Company, 1988 :46-67

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

*G. Becker 1965. "A theory of the allocation of time" reprinted in The Economics of Women and Work, editor, Alice H. Amsden NY: Penguin, 1980.:52-81.

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"

Oi, Walter 1965. "Labor as A Quasi-Fixed Factor" reprinted Readings in Labour Economics editor J.E. King, Oxford, Oxford University Press, 1980, p. 87-107.

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

*Lazear, Edward. 1991. "Labor Economics and the Psychology of Organizations." Journal of Economic Perspectives, 5, 2 (Spring), p. 89-110.

*Bronfenbrenner, Martin 1956. "Potential Monopsony in Labor Markets" Industrial and Labor Relations Review

*Boal, William and Ransom, Michael. 1997. "Monopsony in the Labor Market". Journal of Economic Literature. (March), p. 86-112.

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

*Hall, R. and E. Lazear. 1974. "The Excess Sensitivity of Quits and Layoffs to Demand" Journal of Labor Economics 2: 233-57

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

Dube, Arindrajit, T. William Lester, and Michael Reich. "Minimum wage effects across state borders: Estimates using contiguous counties." *The review of economics and statistics* 92.4 (2010): 945-964.

Industrial and Labor Relations Review. 1995. Review symposium: Myth and Measurement: The New Economics of the Minimum Wage, by David Card and Alan B. Krueger 48, 827–849.

Falk, Armin, Ernst Fehr and Christian Zehnder 2006. Fairness Perceptions and Reservation Wages—The Behavioral Effects of Minimum Wage Laws* *Quarterly Journal of Economics* 2006 121:4, 1347-1381

Luciano Fanti, Luca Gori. (2011) On economic growth and minimum wages. *Journal of Economics*

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.

Chapter 10 Kaufman. "The Economics of HR Practices 2006.

Cappelli, Peter. 2012. Chapter 5. A Training Gap, Not a Skills Gap

Alchian and Demsetz. 1972. Production, information costs, and economic organization. *American Economic Review* 62 (December): 777-795.

Oi, Walter 1965. "Labor as A Quasi-Fixed Factor" selections reprinted in Readings in Labour Economics editor J.E. King, Oxford, Oxford University Press, 1980. (My website)

Doeringer, Peter and Michael Piore. 1971 "Internal Labor Markets" reprinted in Readings in Labour Economics editor J.E. King, Oxford, Oxford University Press, 1980.

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

- *Abraham and Medoff. 1981. "Are Those Paid More Really More Productive?", Journal of Labor Resources 16 (Spring)
- *Ross, Arthur. 1958. Do We Have A New Industrial Feudalism American Economics Review.
- *Blau, D. M. and Gilleskie, D. B. (2008), The Role Of Retiree Health Insurance In The Employment Behavior Of Older Men. International Economic Review, 49: 475–514. doi: 10.1111/j.1468-2354.2008.00487.x
- *Hall, Robert. 1982. "The Importance of Life Time Jobs in the US Economy" American Economic Review 72 :716-24
- *Abraham and Farber. 1987. "Job Duration, Seniority and Earnings: American Economics Review77 :278-97

October 25 – FRIDAY

Robert Gordon on the Labor economics of David Gordon

October 28

Occupational Wage Differentials

Smith, Adam. 1776. The Wealth of Nations Chapter Ten. Part 1.

Kaufman, Chapter 8*, "Occupational Wage Differentials"

Harris, Gardiner. 2006. "Endemic Problem of Safety in Coal Mining" January 10 New York Times

Olson, Craig A. 2003."Do Workers Accept Lower Wages in Exchange for Health Benefits?" Journal-of-Labor-Economics. Part 2 April 2002; 20(2): S91-114

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.

<http://www.bloomberg.com/news/2013-07-14/wiretapped-bangladesh-activist-learned-facebook-to-stir-protest.html>

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.

Summers, Lawrence and Alan Krueger. 1987. "Reflections on the Inter-Industry Wage Structure". in Lang, K. and Jonathan, Leonard ed. Unemployment and the Structure of Labor Markets :17-48
<http://www.nber.org/papers/w1968.pdf>

Cain, Glen. 1987. "Segmented Labor Markets" in Social Economics: The New Palgrave London, MacMillian Lmted.)

Rubery, Jill, 1978. "Structured Labour Markets, Worker Organisation and Low Pay." Cambridge Journal of Economics [0309-166X] vol.2 iss.1 pg.17 -36

Ghilarducci, T; Lee, M. 2005. "Female Dual Labour Markets and Employee Benefits." Scottish Journal of Political Economy. February 2005; 52(1): 18-37 Reich, M. Edwards,R., and Gordon,D. 1973. "A Theory of Labor Market Segmentation." American Economics Review. Vol. 62. No. 2. May. 359-65.

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"

Rosen, Sherwin. 1987. "Human Capital" in Social Economics: The New Palgrave London, MacMillian Lmted.:136-155.

Manning, Chapter 11, "Human Capital and Training"

http://irs.princeton.edu/Conferences/PDII/blau_kahn_pdi figures_tables_sept_2008.pdf

Homework Assigned DUE Nov. 25

November 19 Tuesday Economics Seminar David Neumark

November 18

The class explores the literature on gender and race discrimination.

J. Mincer and S. Polacheck 1974 " Family investments in human capital: earnings of women" reprinted in Economics of Women and Work, editor, Alice H. Amsden NY:Penguin, 1980.:169-206

Paula England. 1984. "The Failure of Human Capital Theory to Explain Occupational Sex Segregation" Journal of Human Resources 18(3):358-370

Folbre, Nancy, 1982. "Exploitation Comes Home: A Critique of The Marxian Theory of Family Labor" Cambridge Journal of Economics 6:317-329

Bergmann, B., 1974. Occupational segregation, wages and profits when employers discriminate by race or sex. Eastern Economic Journal 1, pp. 103–110.

Anthony Heyes, The economics of vocation or `why is a badly paid nurse a good nurse?', Journal of Health Economics, Volume 24, Issue 3, May 2005, Pages 561-569, ISSN 0167-6296, DOI: 10.1016/j.jhealeco.2004.09.002.(<http://www.sciencedirect.com/science/article/B6V8K-4F02M4X-1/2/e63b757297f60612ef5425848861d75d>)

Hamermesh Daniel S. Changing Looks and Changing Discrimination: The Beauty of Economists” National Bureau of Economic Research, *1050 Massachusetts Avenue Cambridge, MA 02138*, File URL: <http://www.nber.org/papers/w11712.pdf>

Neumark, David. Age Discrimination

*Becker, Gary Stanley. 1971. “The Forces Determining Discrimination in the Market” place reprinted in The Essence of Becker. Edited by Ramon Febrero and Pedro S. Schwartz. Foreword by John Raisian. Stanford: Hoover Institution Press, 1995; 403-15.

*Figart, Deborah M; Mutari, Ellen. 2005. “Rereading Becker: Contextualizing the Development of Discrimination Theory” Journal of Economic Issues. June; 39(2): 475-8

(A good background textbook chapter: *Blau, Francine and M. Ferber 1986. The Economics of Women, Men and Work chap. 3, Prentice Hall.)

W. Arthur Lewis. 1954. "Economic Development With Unlimited Supplies of Labor" Manchester School

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.

Summers, Lawrence and Alan Kruegar. 1987. "Reflections on the Inter-Industry Wage Structure". in Lang, K. and Jonathan, Leonard ed. Unemployment and the Structure of Labor Markets :17-48 <http://www.nber.org/papers/w1968.pdf>

Cain, Glen. 1987. "Segmented Labor Markets" in Social Economics: The New Palgrave London, MacMillian Lmted.)

Rubery, Jill, 1978. “Structured Labour Markets, Worker Organisation and Low Pay.” Cambridge Journal of Economics [0309-166X] vol.2 iss.1 pg.17 -36

Ghilarducci, T; Lee, M. 2005. “Female Dual Labour Markets and Employee Benefits.” Scottish Journal of Political Economy. February 2005; 52(1): 18-37 Reich, M. Edwards,R., and Gordon,D. 1973. “A Theory of Labor Market Segmentation.” American Economics Review. Vol. 62. No. 2. May. 359-65.

Homework DUE Nov. 25

Dec. 9

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

Freeman, Richard. 1976. "Individual Mobility and Union Voice in the Labor Market" American Economics Review 66(2)

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

Freeman, Richard B. 2005. What Do Unions Do?: The 2004 M-Brane Stringtwister Edition National Bureau of Economic Research, Inc, NBER Working Papers: 11410 200

Ulman, Lloyd. 1990. "Labor Market Analysis and Concerted Behavior." Industrial Relations, 29, 2 (Spring): 281-300.

Dec. 16

Unemployment: Macro Causes

Howell, David. 2005. "Beyond Unemployment" Challenge. Jan.-Feb. 2005; 48(1): 5-2

Krugman, Paul. "Past and prospective causes of high unemployment." *Economic Review-Federal Reserve Bank of Kansas City* 79 (1994): 23-23.

*Brown, Clair. 1982. "Unemployment Theory and Policy" Industrial Relations, Spring

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

Efficiency Wages

Olivier Blanchard and Lawrence F. Katz 1999. Wage Dynamics: Reconciling Theory and Evidence, *The American Economic Review* Vol. 89, No. 2, Papers and Proceedings of the One Hundred Eleventh Annual Meeting of the American Economic Association (May, 1999), pp. 69-74 Article Stable URL: <http://www.jstor.org/stable/117083>

Yellen, Janet. 1984. "Efficiency Wage Models of Unemployment" American Economic Review May 1984 pp. 200-205

*Anthony Heyes, 2005. The economics of vocation or 'why is a badly paid nurse a good nurse?', *Journal of Health Economics*, Volume 24, Issue 3, May 2005, Pages 561-569, ISSN 0167-6296, DOI: 10.1016/j.jhealeco.2004.09.002. (<http://www.sciencedirect.com/science/article/B6V8K-4F02M4X-1/2/e63b757297f60612ef5425848861d75d>)

Unemployment and Labor Discipline

Kalecki, Michal. 1971. "Class Struggle and the Distribution of National Income." Originally published in *Kylos* Vol. 24. No. 1

Leombrunia, Roberto; Tiziano Razzolinib, Francesco Sertic. 2013. "The pecuniary and non-pecuniary costs of job displacement—The risky job of being back to work," *European Economic Review* Volume 61, July Pages 205–216 <http://dx.doi.org/10.1016/j.euroecorev.2013.04.005>

*Chor, Davin and Richard B. Freeman. 2005. "The 2004 Global Labor Survey: Workplace Institutions and Practices Around the World" National Bureau of Economic Research, Abstract File URL: <http://www.nber.org/papers/w11598.pdf>

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

Manning. Chapter 10. "Vacancies and the Demand for Labor."

Take Home Exam Due Dec. 20 at noon.