

# Università di Roma Tor Vergata

## Labor & Personnel Economics

(2016/2017)

### Availability

Compulsory for MSc Economics.

### Lecturers

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#### Office Hours:

During the course: TBD

Outside the course: by appointment

#### Daniela Vuri

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#### Office Hours:

During the course: TBD

Outside the course: by appointment

### Location

Classes will be held in room TBD. Any eventual change will be posted on the course web page.

### Content

Labor supply (retirement, family), labor demand, labor market equilibrium (minimum wages, payroll taxes, immigration, wage distribution), education (human capital, signaling), discrimination (race, gender), pay based on performance (piece-rate, team), compensating wage differentials, inequality, macroeconomic aspects of the labor market.

### Attendance

Not compulsory, but strongly recommended. Active class participation is very much appreciated.

### Course prerequisites

You need to have covered the material of a good undergraduate economics program: a good working knowledge of advanced microeconomics (we will make almost no use of macroeconomics), mathematics, as is a basic understanding of econometrics, at least through multiple regression (you should understand how to interpret regression coefficients and be aware of the possible pitfalls in their use).

### Final Exam

The final exam is a two-hours written test consisting of four questions (mathematical exercises, possibly the discussion of an article chosen among those presented in class). Within each question there might be a choice of "subquestions". To pass the exam it is necessary to obtain a mark of 18 in at least three questions. The mark for the written exam is given by the average mark of the four questions. In each question the scale of marks goes from 0 to 34, so students can obtain a final mark of 30 even without answering perfectly all the questions. There is one exam in each session (eventually, also a midterm exam right after the end of the course).

In addition students can volunteer to give presentations and have their mark added to the mark of the exam. Each presentation will be given a mark from 0 to +3, which is added to the mark of the first exam session (or midterm) after the course only, and rounded to the nearest integer to determine the final mark of the students. Withdrawals from scheduled presentations will be marked with -2.

### Course Web Page

The material for this course (syllabus, notes, announcements, materials) will be posted on the course webpage. You are strongly encouraged to subscribe to the course newsletter.

### Required Text and Readings

No single textbook covers all the material presented in this course. A number of the recommended readings will consist of journal articles. I will also distribute the slides of each class through the course webpage. The books that will be used more frequently are the following:

- One suggested text is Borjas, "Labor Economics", McGraw-Hill, 2010. (previous and new editions can also be used). The textbook is an undergraduate-level textbook, so the coverage of the material will be a bit less advanced than what will be done in class.
- A graduate-level text in labor economics is Cahuc, Carcillo and Zylberberg, "Labor Economics", MIT Press, 2004 (new editions can also be used). It has a bit more of a macro-labor flavor, common among many European labor economists. My approach is a bit more micro-oriented, but for some chapters it can be a very good reference.
- Labor economics is a data-intensive field, and many new empirical techniques have been developed to answer labor economics questions. If you are interested in research in labor economics, you will need a solid foundation in econometrics. Angrist and Pischke, "Mostly Harmless Econometrics", Princeton University Press, 2009.

All readings are available through the *Biblioteca Vilfredo Pareto*, located in the building B. Class notes, as well as any other additional material/reading, will be available on the course web page.

## Material

In the following pages you will find the detailed reading list for each topic. This list is indicative, and can be subject to some changes. In particular, further readings may be provided during the lectures. Readings marked with a \* (or with *Required Readings*) represent compulsory reading, all other readings (or under *Additional Readings*) are just suggestions.

### Introduction and Methods

- Borjas (chapter 1)
- Angrist, J. D. and A. B. Krueger (1999): "Empirical Strategies in Labor Economics", in *Handbook of Labor Economics*, ed. Ashenfelter and Card, vol 3, North Holland, Amsterdam.

### Labor Supply

- Borjas (chapter 2)
- Imbens, G. W., D. B. Rubin and B. Sacerdote (2001): "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players." *American Economic Review*, 91, 778-94.\*
- Eissa, N. and J. B. Liebman (1996): "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics*, 111, 605-37.\*
- Krueger, A. and S. Pischke (1992): "The Effect of Social Security on Labor Supply: A Cohort Analysis of the Notch Generation." *Journal of Labor Economics*, 10, 412-437.\*

### Labor Demand

- Borjas (chapter 3)
- Hamermesh, D. S. (1986): "The Demand for Labor in the Long Run." *Handbook of Labor Economics*, vol. 1, pp. 429-71.
- Acemoglu, D.; Autor, D. H. and D. Lyle (2004): "Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Midcentury." *Journal of Political Economy*, 112, 497-551.\*

### Minimum Wage

- Borjas (chapter 3)
- Kennan, J. (1995): "The Elusive Effect of Minimum Wages." *Journal of Economic Literature*.
- Card, D. and A.B. Krueger (1994): "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." *American Economic Review*, 84, 772-793.\*
- Neumark, D. and W. Wascher (2006): "Minimum Wages and Employment: A Review of Evidence from the New Minimum Wage Research." NBER WP 12663.\*
- Allegretto, S., Dube, A., Reich, M. and B. Zipperer (2013): "Credible Research Designs for Minimum Wage Studies." IZA DP 7638.

### Payroll-taxes

- Borjas (chapter 4)
- Gruber, J. (1997): "The Incidence of Payroll Taxation." *Journal of Labor Economics*, 15,

72-101.

### **Immigration**

- Borjas (chapter 4)
- Card, D. (1990): "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review*, 43, 245-57.\*
- Borjas, G. J. (2003): "The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market." *Quarterly Journal of Economics*, 118, 1335-1374.\*
- Ottaviano G. and G. Peri (2012): "Rethinking the Gains from Immigration: Theory and Evidence from the U.S." *Journal of the European Economic Association*, 10, 152-197.\*

### **Compensating Wage Differentials**

- Borjas (chapter 5)
- Jonathan Lee and Laura Taylor: (2014) "Randomized Safety Inspections and risk exposure on the job: Quasi-experimental Estimates of the Value of a Statistical Life", CES-WP-14-05\*

### **Human Capital**

- Borjas (chapter 6)

#### **Human capital**

- Griliches Z. (1977) "Estimating the Returns to Schooling: Some Econometric Problems" *Econometrica*, Vol. 45, No. 1, pp. 1-22
- Ashenfelter, O. and C. Rouse (1998) "Income, Schooling, and Ability: Evidence from a New Sample of Identical Twins", *The Quarterly Journal of Economics*, Vol. 113, No. 1, pp. 253-284\*
- Angrist, J. D. and A. B. Krueger (1991) "Does Compulsory School Attendance Affect Schooling and Earnings?" *The Quarterly Journal of Economics* Vol. 106, No. 4, pp. 979-1014\*
- Card, D (1995) "Using Geographic Variation in College Proximity to Estimate the Return to Schooling", In L.N. Christofides, E.K. Grant, and R. Swidinsky, editors, *Aspects of Labor Market Behaviour: Essays in Honour of John Vanderkamp*, University of Toronto Press, Toronto. [http://davidcard.berkeley.edu/papers/geo\\_var\\_schooling.pdf](http://davidcard.berkeley.edu/papers/geo_var_schooling.pdf)\*
- Griliches, Z. and M. William (1972): "Education, Income and Ability." *Journal of Political Economy*, 80, 74-103.
- Ashenfelter, O. and A. B. Krueger (1994): "Estimates for the Economic Returns to Schooling for a New Sample of Twins." *American Economic Review*, 84, 1157-1173.
- Altonji, J. G. and C. R. Pierret (2001): "Employer Learning and Statistical Discrimination." *Quarterly Journal of Economics*,

#### **Human capital and Signaling**

- Card, D. "The Causal Effect of Education on Earnings", *Handbook of Labour Economics*, vol. 3, Chapter 30, eds. O. Ashenfelter and D. Card. [http://davidcard.berkeley.edu/papers/causal\\_educ\\_earnings.pdf](http://davidcard.berkeley.edu/papers/causal_educ_earnings.pdf)\*

- Tyler, J., R. Murnane, J. Willet (2000) "Estimating the Signaling Value of the GED", *The Quarterly Journal of Economics*, vol. 115, no.2, pp. 431-468. <http://www.jstor.org/stable/pdfplus/2586999.pdf>\*
- Lang, K. And D. Kropp (1986) "Human Capital Versus Sorting: The Effects of Compulsory Attendance Laws", *The Quarterly Journal of Economics*, vol. 101, no.3, pp. 609-624. <http://faculty.smu.edu/millimet/classes/eco7321/papers/lang%20kropp.pdf>
- Jaeger, D. A. and M. E. Page (1996): "Degrees Matter: New Evidence on Sheepskin Effects in the Returns to Education." *Review of Economics and Statistics*, 78, 733-740.

#### **Human Capital 4 – School Quality**

- Card, D. and A. Krueger (1992) "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States", *The Journal of Political Economy*, vol. 100, no. 1, pp. 1-40. <http://davidcard.berkeley.edu/papers/school-quality.pdf>\*
- Krueger, A. "Experimental Estimates of Education Production Functions", *The Quarterly Journal of Economics*, vol. 114, no. 2, pp. 497-532. <http://www.jstor.org/stable/2587015?origin=JSTOR-pdf>
- Angrist, J. And V. Lavy (1999) "Using Maimonides Rule to Estimate the Effect of Class Size on Scholastic Achievement", *The Quarterly Journal of Economics*, vol. 114, no. 2, pp. 533-575. <http://www.mitpressjournals.org/doi/abs/10.1162/003355399556061>\*
- Angrist, J., Battistin E., D. Vuri (2014) "In a Small Moment: Moral Hazard and Class Size in Italian Elementary School", NBER WP 20173

#### **Human Capital 4 – More on college investment**

- Christopher Avery and Sarah Turner. 2012. "Student Loans: Do College Students Borrow Too Much--Or Not Enough?" *Journal of Economic Perspectives*, 26(1): 165–92
- Hoxby, "The Return to Attending a More Selective College: 1960 to the Present," in *Forum Futures: Exploring the Future of Higher Education*, eds. Maureen Devlin and Joel Meyerson (Jossey-Bass Inc., 2001): 13-42.
- Hoekstra M. (2009) "The Effect of Attending the Flagship State University on Earnings: A Discontinuity-Based Approach", *Review of Economics and Statistics* 2009, 91 (4): 717-724\*
- Cadena and Keys (2013) "Can Self-Control Explain Avoiding Free Money? Evidence from Interest-Free Student Loans", *Review of Economics and Statistics* 95 (4), 1117-1129
- Deming, Goldin and Katz (2012) "The For-Profit Postsecondary School Sector: Nimble Critters or Agile Predators?" *Journal of Economic Perspectives*—Volume 26, Pages 139–164
- Lang, K. and Weinstein, R. (2013) "The Wage Effects of Not-for-Profit and For-Profit Certifications: Better Data, Somewhat Different Results," *Labour Economics*: 230-43.
- Hoxby, Caroline, and Christopher Avery. forthcoming. "The Missing "One-offs": The Hidden Supply of High-Achieving, Low Income Students," *Brookings Papers on Economic Activity*. (Also NBER Working Paper 18586.)
- Bettinger, Eric, Bridget Long, Phil Oreopoulos and Lisa Sanbonmatsu, (2012) "[The Role of Simplification and Information: Evidence from the FAFSA Experiment.](#)" *Quarterly*

*Journal of Economics* 127 (3), 1205-1242.

- Caroline Hoxby and Sarah Turner. 2013. "Expanding College Opportunities for High-Achieving, Low Income Students", SIEPR Discussion Paper 12-014\*

### **Discrimination**

- Borjas (chapter 9)

### **Facts**

- Bertrand, Goldin and Katz, (2010) "Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors", *American Economic Journal: Applied Economics* 2: 228–255\*
- Neal, Derek and Johnson, William. (1996) "The Role of Premarket Factors in Black-White Wage Differences", *Journal of Political Economy*, Vol. 104, No. 5, pp. 869-895
- Fryer R, Levitt S. (2004) "Understanding The Black-White Test Score Gap in the First Two Years of School", *The Review of Economics and Statistics*. 86(2): 447–464

### **Theory**

- Hamermesh and Biddle, (1994) "Beauty and the Labor Market", *The American Economic Review*, Vol. 84, No. 5, (Dec., 1994), pp. 1174-1194
- Phelps, (1972) "The Statistical Theory of Racism and Sexism", *The American Economic Review*, Vol. 62, No. 4, pp. 659-661
- Arrow, K.J., (1973). The Theory of Discrimination. In: Ashenfelter, O., Rees, A. (Eds.), *Discrimination in Labor Markets*. Princeton University Press, pp. 3–33.
- Aigner, D., Cain, G., (1977) "Statistical Theories of Discrimination in the Labor Market" *Ind. Labor Relat. Rev.* 30 (2), 175–187

### **Empirics**

- Kerwin Kofi Charles & Jonathan Guryan, (2008). "Prejudice and Wages: An Empirical Assessment of Becker's The Economics of Discrimination," *Journal of Political Economy*, University of Chicago Press, vol. 116(5), pages 773-809
- Sandra E. Black and Philip E. Strahan (2001) "The Division of Spoils: Rent-Sharing and Discrimination in a Regulated Industry" *The American Economic Review* Vol. 91, No. 4, pp. 814-831
- Levine, R., A. Levkov and Y. Rubinstein (2009), *Racial Discrimination and Competition*, Working Paper 14273
- Goldin C. and C. Rouse (2000) *Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians*, *American Economic Review*, vol 90 (4): 715-741\*
- Marianne Bertrand and Sendhil Mullainathan (2004) "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination", *The American Economic Review*, Vol. 94, No. 4, pp. 991-1013\*

### **Incentive Contracts**

- Borjas (chapter 11)
- Lazear, E. P., (2000): "Performance Pay and Productivity." *American Economic Review*, 90, 1346-1361.\*
- Falk, A., and A. Ichino (2006) "Clean Evidence on Peer Effects." *Journal of Labor Economics* 24, no. 1: 39-57.
- Mas, A and E. Moretti, (2009), "Peers at Work", *American Economic Review* 99(1), 112-45
- Bandiera, O., I. Barankay, and I. Rasul. (2005) "Social Preferences and the Response to Incentives: Evidence from Personnel Data." *Quarterly Journal of Economics* 120, no. 3: 917-962\*