

RUTGERS UNIVERSITY
Department of Economics

Fall semester,
2017-2018

Economics 402:
Labor Economics

Mr. Killingsworth
201-B New Jersey Hall

Learning goals: To illustrate how economic analysis can be applied to questions about the operation of the labor market, and to train students in using the tools of economic and empirical analysis, and in critical thinking and analytical reasoning about labor markets.

PLEASE NOTE: Laptops and cell phones may *not* be used at any time, for any purpose, during lectures or exams. Anyone who does not conform to this requirement will be removed from the classroom. Likewise, anyone talking to other members of the class during lectures or exams will be removed from the classroom. Anyone removed from the classroom will not be readmitted to the classroom without prior consultation with the instructor and the dean of students.

Office hours: Tuesdays, 2:30-4 pm, and Fridays, 1:10-2 pm, in 201-B New Jersey Hall, CAC (848-932-7794); or by appointment. Feel free to make an appointment for another time if regular office hours are not convenient. You can leave messages for me at 848-932-7794 or at the Economics Department at 848-932-7363. Office hours are an INTEGRAL part of the course! My e-mail address is mrk@economics.rutgers.edu.

Quizzes, exams and grades: Grades will be based on a midterm exam (35%), a final exam (35%), and two quizzes (15% each).

The quizzes: Four quizzes will be given during the semester; your best *two* quiz scores will be used in computing your course grade. Dates of quizzes will not be announced in advance. *Anyone absent from a quiz will receive a score of zero for that quiz. There will be no makeups for any quiz.* (In lieu of makeups, you get to drop your two lowest quiz scores.) *If you arrive after a quiz is being distributed, you will not be allowed to take it.* Each quiz will be open-book/open-notes, consist of multiple-choice questions, and take no more than 30 minutes. The quizzes are graded using a Scantron form, so please always *bring a pencil with an eraser to class.*

The exams: Review questions and answers will be distributed before each exam. Students who miss the midterm exam or the final exam are required to take a makeup exam. Also, students who take an exam but want to improve their grade may, at their own option, take the makeup to that exam. In this case, your grade will be based on the better of the two exams (i.e., if the makeup score is higher than the original exam score, the makeup score will be used; otherwise, the original exam score will be used). (For students who take the exam but not the makeup, the original exam grade will count as the actual exam grade.) The midterm and final exams will (i) consist entirely of essay questions that will stress the ability to apply principles of economics developed in the readings and lectures; and (ii) be open-book/open-notes (so that memorization and rote learning will be deemphasized).

Text and readings: The required text for the course is Borjas, *Labor Economics*. You can use *either* the seventh edition *or* the sixth edition of this text. Other readings for the course are given in the syllabus, below. These readings, and the lecture notes, will be available on the Sakai site for the course.

Student subscriptions: Although this is not a requirement for this course, you should regularly read one or more publications in economics and business (e.g., *The New York Times*; *The Wall Street Journal*; *Business Week*; *Fortune*, *The Economist*; etc.). You can order some of these publications at steeply-discounted student rates; see the Sakai site for the course for details.

Website for the course: You can download the syllabus and the lecture notes for this course by visiting the Sakai site for the course. Check the Sakai site every Friday afternoon to get the reading assignments and lecture notes for the coming week. Also, I will send numerous announcements via email during the semester; be sure to check your email regularly for these announcements!

Prerequisites: Econ. 320 (Intermediate Microeconomics) and Econ. 322 (Econometrics).

Absences: I do not give credit for attendance, and I do not penalize students for absences. (However, note that if you're absent on a day when a quiz is given, your quiz score will be recorded as a zero; see above.) The Rutgers Self-Reporting Absence Website can be accessed at <http://sims.rutgers.edu/ssra>.

Helpful hints:

- The midterm and final exams (1) consist of essay questions, (2) are open-book/open-notes, (3) do NOT require memorization and (4) emphasize clear thinking and application of economic analysis to economic questions (including questions that may not have been discussed in lectures).
- Do the required readings in the text BEFORE they are discussed in class -- DON'T wait until exam time rolls around. (This is particularly important because the dates of quizzes will *not* be announced. You'll need to be prepared *before* you come to class!)
- Read the text at least TWICE – the material is too complicated to grasp fully after only one reading.
- Above all, if you need help, DO ask questions in class and DO go to office hours (preferably, well before exam time). REMEMBER that your tuition will NOT be increased if you go to office hours!
- Remember that there will be no makeup for any quiz, and there will be no makeups for any makeup exam. If you miss a quiz or arrive after a quiz is being distributed, you will receive a score of zero for that quiz. If you miss both an exam and the makeup to that exam, you will receive a score of zero for that exam.
- If you encounter problems of any kind – family problems, personal problems, academic problems, emotional problems, health problems, work-related problems, etc. – you should deal with them *as soon as they arise* by contacting your college dean, by contacting me, etc. **Don't** wait until the end of the semester to contact me – at that point, it will be much too late to do anything about them!

SYLLABUS FOR THE COURSE

1. **Introduction**

Chapter 1: Introduction (including Appendix on regression analysis)

2. **Labor supply**

Chapter 2: Labor supply

Class handouts on econometrics and the missing-variables problem

US Bureau of Labor Statistics, "The Employment Situation – August 2017" (go to <http://www.bls.gov> and search for this)

Blau and Kahn, "Changes in the Labor Supply Behavior of Married Women: 1980-2000," *Journal of Labor Economics*, Vol. 25 (2007)

3. **Labor demand**

Chapter 3: Labor demand

Class handout: "Notes on Models of Labor Demand"

Katz, "Wage Subsidies for the Disadvantaged," pp. 21-53 in Freeman and Gottschalk, eds., *Generating Jobs: How to Increase Demand for Less-Skilled Workers* (1998)

4. **Labor market equilibrium**

Chapter 4: Labor market equilibrium

Acemoglu, Autor and Lyle, "Women, War and Wages," *Journal of Political Economy*, Vol. 112 (2004)

midterm exam (covering Parts 1-4 above): week of October 30 (probably!)

5. **Wages and wage differentials**

Chapter 5: Compensating wage differentials

Rees, "Compensating Wage Differentials," in Skinner and Wilson, *Essays on Adam Smith* (1975)

Olson, "Do Workers Accept Lower Wages in Exchange for Health Benefits?" *Journal of Labor Economics*, Vol. 20 (2002)

Chapter 6: Human capital

Chapter 7: The wage structure

Chapter 11: Incentive pay

Medoff and Abraham, "Experience, Performance and Earnings," *Quarterly Journal of Economics*, Vol. 95 (1980)

Lazear, "Performance Pay and Productivity," *American Economic Review*, Vol. 90 (2000)

6. **Special topics** (to be covered if time permits)

Chapter 8: Labor mobility

Chapter 9: Labor market discrimination

Chapter 10: Labor unions

Chapter 12: Unemployment

Oreopoulos, von Wachter and Heisz, "The Short- and Long-Term Career Effects of Graduating in a Recession," *American Economic Review* (forthcoming)

Kahn, "The long-term labor market consequences of graduating from college in a bad economy," *Labour Economics*, Vol. 17 (2010)

final exam (covering ONLY Parts 5 and 6 above): Thursday, December 21, between 8-11am

makeup to the final exam (covering ONLY Parts 5 and 6 above): time and place TBA

helpful information, websites, etc.:

This course meets between 11:30-12:50 on Tuesdays and Fridays in Murray Hall 211.

For the current **Academic Integrity Policy**, which defines, prohibits, and describes penalties for cheating and plagiarism, see <http://academicintegrity.rutgers.edu/academic-integrity-policy/>

Student-Wellness Services:

Just In Case Web App, for a mental health crisis for you are a friend: <http://codu.co/cee05e>

Counseling, ADAP & Psychiatric Services (CAPS), for non-emergency psychological health issues:

(848) 932-7884 / 17 Senior Street, New Brunswick, NJ 08901 www.rhscaps.rutgers.edu/

Violence Prevention & Victim Assistance (VPVA)

(848) 932-1181 / 3 Bartlett Street, New Brunswick, NJ 08901 www.vpva.rutgers.edu/

Disability Services

(848) 445-6800 / Lucy Stone Hall, Suite A145, Livingston Campus, 54 Joyce Kilmer Avenue, Piscataway, NJ 08854 / <https://ods.rutgers.edu/>

Scarlet Listeners, for confidential peer counseling and referral hotline:

<http://www.scarletlisteners.com/> or call (732) 247-5555