

University of Alicante
Department of Economics
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Topics in Labor Economics

Microeconometrics

2nd Year PhD

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Course Description:

This course gives you an overview of the field of labor economics. We will cover a range of topics including the analysis of labor supply, human capital accumulation and migration decisions as well as a variety of other topics related to cultural economics and labor market discrimination. The course will have a significant empirical component and survey some of the major issues in applied modern research.

The course will be delivered through 4 weeks (90 minutes twice per week during). Slides to follow the lectures will be provided each week. There is no single textbook that covers the material for the entire course; rather there are various textbooks, listed in the reading list, that focus on particular sections of the course.

Evaluation:

The grade will be based on a final exam (50%) and one class presentation (20%) and written critical discussion (30%) of one paper related to any of the topics covered during the course. In this critical discussion, students should: (a) summarize the article, including its motivation, theoretical framework, econometric methods used and main results; (b) critically assess the contribution of the paper; including the strengths and weaknesses of the paper's approach, methods and data used, and whether the paper addresses an important issue and assessment of how convincing are the findings of the paper; (c) propose feasible and attractive extensions of the article. This assessment should be between 8-10 pages in length. You should discuss with me the paper you wish to study at the end of the second week of the course. You can choose one of the papers in the list below ("Papers for Presentation"). The class presentation will be during the last week of the course and the submission of the written discussion is due at the end of the exam period.

Outline:

Topic 1: Labor Supply and the Allocation of Time

- 1.1 Facts about the Labor Supply
- 1.2 The Neoclassical Theory of Labor Supply
- 1.3 Policy Applications
- 1.4 Empirical Aspects of Labor Supply

Topic 2: Education and Human Capital

- 2.1 Some stylized facts
- 2.2 The Theory of Human Capital: From the model to estimates
- 2.3 Evaluation of the Returns to Education
 - 2.3.1 A model of the effects of Education on Earnings
 - 2.3.2 Identifying the Causal Effect of Education
 - 2.3.3 A review of recent empirical studies

Topic 3: Immigration Economics

- 3.1 Introduction
- 3.2 Immigrant Performance in the host country: Assimilation and Cohort Effects
- 3.3 The Decision to Migrate: The Roy Model
- 3.4 Immigration and the host country's economy: A simple model and Empirical Evidence

Topic 4: Race and Gender in the Labor Market

- 4.1 Differences in labor market outcomes and background characteristics
- 4.2 Theories of Marked Discrimination
- 4.3 Empirical approach: Direct and Indirect Evidence

Reading list:

Books:

- Ashenfelter, O.C. and D. Card. (1999). Handbook of Labor Economics, North-Holland, 1999, Vol III, A, B, C and IV
- Borjas (2005) Labor Economics, McGraw-Hill
- Cahuc, P. and A. Zylberberg. (2004). Labor Economics, MIT Press
- Ehrenberg, R. and R. Smith. (2003). Modern Labor Economics, Pearson International Edition
- Wooldridge (2002) Econometric Analysis of Cross Section and Panel Data, The MIT Press

Papers for Presentations:

Topic 1:

- Angrist J. and W.N. Evans (1998): "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Labor Supply", *American Economic Review* 88 (June 1998): 450-477
- Eissa, N and J. Liebman (1996): "Labour supply responses to the earned income tax credit", *Quarterly Journal of Economics*, 112(2), 605-607
- Imbens, G.W., D. Rubin, B. I. Sacerdote (2001): "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players", *American Economic Review*: 778-794

Topic 2:

- Ashenfelter, O. and Rouse, A. (1998): "Income, Schooling and ability: Evidence from a new sample of identical twins," *Quarterly Journal of Economics*, 113, pp. 253-284.
- Currie, J. and E. Moretti (2003): "Mother's education and the intergenerational transmission of human capital: Evidence from college openings and longitudinal data", *Quarterly Journal of Economics*, 118(4)
- Duflo, E. (2001): "Schooling and Labor Market Consequences of School Construction in Indonesia", *American Economic Review* 91: 795-813.
- Lochner, L. and E. Moretti (2004): "The effect of education on criminal activity: Evidence from prison inmates, arrests and self-reports", *American Economic Review* 94(1)
- Plug, E (2004): "Estimating the Effect of Mother's Schooling on Children's Schooling Using a Sample of Adoptees", *American Economic Review* 94(1): 358-368.

Topic 3:

- Berman, E. K. Lang and E. Siniver. (2003). "Language-skill complementary: returns to immigrant language acquisition", *Labor Economics*, Vol 10(3):265-290
- Borjas G.J. (2006). "Immigration in High-Skill Labor Markets: The Impact of Foreign Students on the Earnings of Doctorates", NBER Working Paper 12085
- Bratsberg, B. (1995). "The incidence of non-return among foreign students in the United States", *Economics of Education Review* 14(4): 373-384
- Hunt J. (1992). "The Impact of the 1962 Repatriates from Algeria on the French Labor Market", *Industrial and Labor Relations Review*, Vol 45 (3): 556-572

Topic 4:

- Bertrand, M. and S. Mullainathan. (2004). "Are Emily and Greg More Employable than Latisha and Jamal? A Field Experiment on Labor Market Discrimination," *American Economic Review*, Vol. 94: 991-1013
- Goldin C. and C. Rouse. (2000). "Orchestrating Impartiality: The Impact of Blind Auditions on Female Musicians", *American Economic Review* 90(4): 715-741

References:

Topic 1:

- Angrist, Joshua, and Alan Krueger. "Empirical Strategies in Labor Economics." *The Handbook of Labor Economics*. Vol. 3A. 1999, chapter 23, sections 3 and 4, pp. 1278-1357
- Bertrand M., E. Duflo, and S. Mullainathan (2002): "How Much Should We Trust Differences-in-Differences Estimates?" NBER working paper "8841
- Blundell R, C. Meghir and P. Neves (1995): "Estimation of labour supply responses using tax policy reforms" IFS Working Paper 95/17
- Blundell, R. A. Duncan and C. Meghir (1992): "Taxation and empirical labor supply responses using tax policies: Lone Parents in the UK", *Economic Journal* 102, 265-278
- Blundell, R., and T. MaCurdy (1999): "Labor Supply: A review of alternative approaches" in Ashenfelter, O., and Card, D. (eds), *Handbook of Labor Economics*, vol. 3A, chap. 27, Amsterdam: Elsevier Science/North-Holland.
- Cahuc & Zylberberg, *Labour Economics*, 2004 (Chapter 1)
- Goldin, C. (1991): "The Role of World War II in the Rise of Women's Employment", *American Economic Review* 81: 741-756
- Goldin, C. "The U-Shaped Female Labor Force Function in Economic Development and Economic History", in T. Paul Schultz, editor, *Investment in Women's Human Capital*, Chicago: University of Chicago Press, 1995.
- Killingsworth, Mark, and James Heckman. "Female Labor Supply: A Survey." In *The Handbook of Labor Economics*. Vol. 1. Amsterdam, Netherlands: North-Holland, 1986, chapter 2, pp. 103-204. ISBN: 0444878564.
- Killingsworth, Mark. *Labor Supply*. New York, NY: Cambridge University Press, 1983, chapters 1 and 2
- Mammen, K and C. Paxson (2000): "Women's Work and Economic Development", *Journal of Economic Perspectives* 14, 141-164.
- Mroz T (1987): "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions", *Econometrica* 55: 765-800
- Nada Eissa (1995): "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment", NBER working paper 5023
- Pencavel, John. "Labor Supply of Men: A Survey." In *The Handbook of Labor Economics*. Vol. 1. Amsterdam, Netherlands: North-Holland, 1987

Topic 2:

- Angrist, J and G.W. Imbens (1995): "Two-stage least squares estimation of average causal effects in models with variable treatment intensity", *Journal of the American Statistical Association* 90: 431-442
- Angrist J, and G.W. Imbens and D.B. Rubin (1996): "Identification of causal effects using instrumental variables", *Journal of the American Economic Association* 91: 444-472
- Angrist J. and A.B. Krueger (1992): "Estimating the payoff to schooling using the Vietnam-era draft lottery", NBER Working paper 4067
- Angrist J. and A.B. Krueger (1991): "Does compulsory school attendance affect schooling and earnings", *Quarterly Journal of Economics* 106: 979-1014
- Ashenfelter, O. and Rouse A. (1999): "The payoff to education", mimeo, Princeton University
- Becker, G. (1964): "Human Capital", New York: National Bureau of Economic Research

- Behrman, J.R., M. Rosenzweig and P. Taubman (1994): "Endowments and the allocation of schooling in the family and the marriage market: the twins experiment", *Journal of Political Economy* 102: 1131-1174
- Bound J. and D.A. Jaeger (1996): "On the validity of season of birth as an instrument in wage equations", NBER working paper 5835
- Card, D. (1995): "Earnings, Schooling and Ability Revisited", *Research in Labor Economics* 14, 23-48
- Card, D. (1995): "Using geographic variation in college proximity to estimate the return to schooling", in Louis N. Christofides, E. Kenneth Grant and R. Swidinsky, eds. *Aspects of labour market behavior: essays in honour of John Vanderkamp*, pp 201-222
- Card, D. (1999): "The causal effect of education on earnings", in Ashenfetler, O. and Card, D. (eds.), *Handbook of Labor Economics*, vol 3A, cahp. 30, Amsterdam: Elsevier Science/North-Holland
- Carneiro, P., Heckman, J.J. and E. Vytlacil, "Understanding What Instrumental Variables Estimate: Estimating Marginal and Average Returns to Education", mimeo 2003
- Conneely, K. and R. Uusitalo (1997): "Estimating heterogeneous treatment effects in the Becker schooling model", Unpublished discussion paper (Industrial Relations Section, Princeton University)
- Foster A. and M. Rosenzweig (1996): "Technical change in human capital return and investment: Evidence from the Green Revolution", *American Economic Review*, 86, 931-953
- Harmon, C. and I. Walker (1995): "Estimates of the economic return to schooling for the United Kingdom", *American Economic Review* 85: 1278-1286
- Ichino, A. and R. Winter-Ebmer (2004): "The long-run educational cost of World War II", *Journal of Labor Economics*, January, 22 (1), 57-86.
- Isacson, G. (1997): "Estimates of the return to schooling in Sweden from a large sample of twins", Unpublished discussion paper (Center for Research on Transportation and Society, Sweden).
- Kane, T. and C.E. Rouse (1993): "Labor Market returns to two- and four-year colleges: is a credit a credit and do degrees matter?", NBER working paper 4268
- Maluccio, J. (1997): "Endogeneity of schooling in the wage function", Unpublished Manuscript (Department of Economics, Yale University)
- Miller, P., C. Mulvey and N. Martin (1995): "What do twins studies reveal about the economic returns to education? A comparison of Australian and US findings", *American Economic Review* 85: 586-599
- Mincer, J. (1974), *Schooling, Experience and Earnings*, New York: National Bureau of Economic Research
- Rouse, C.E. (1997): "Further estimates of the economic return to schooling from a new sample of twins", Unpublished discussion paper (Industrial Relations Section, Princeton University)
- Spence, M. (1973): "Job market signaling", *Quarterly Journal of Economics*, 87: 355-374
- Staiger D. and J.H. Stock (1997): "Instrumental variables regression with weak instruments", *Econometrica* 65: 557-586
- Weiss, A. (1995): "Human Capital vs. Signaling Explanation of Wage", *Journal of Economic Perspectives*. Vol 9. No 4, pp 133-154.

- Willis, R. and S. Rosen (1979), "Education and Self-Selection", *Journal of Political Economy* 87: S7-S36

Topic 3:

- Altonji, J. and D. Card. (1991). "The effects of immigration on the labor market outcome of less-skilled natives", in: J. Abowd and R. Freeman, eds. *Immigration, trade and the labor market* pp.201-234.

- Aydemir, A. and G.J. Borjas. (2006). "A comparative analysis of the labor market impact of international migration: Canada, Mexico and the United States", NBER Working paper 12327

- Barrett, A. (1993). "Three essays on the labor market characteristics of immigrants", Unpublished PhD dissertation (Michigan State University)

- Borjas G.J. (1985). "Assimilation, Changes in Cohort Quality, and the Earnings of Immigrants". *Journal of Labor Economics* 3: 463-389.

- Borjas G.J. (1987). "Self-Selection and the Earnings of Immigrants", *American Economic Review* 77: 531-553

- Borjas G.J. (1991). "Immigration and self-selection", in: J. Abowd and R. Freeman, eds., *Immigration, trade and the labor market*. Pp 29-76

- Borjas G.J. (1994). "The Economics of Immigration", *Journal of Economic Literature* 32(4): 1667-1717

- Borjas G.J. (1995). "Assimilation and Changes in Cohort Quality Revisited: What happened to Immigrants Earnings During the 1980's". *Journal of Labor Economics*

- Borjas G.J. (1999). "The Economic Analysis of Immigration", in Orley C. Ashenfelter and David Card, editors, *Handbook of Labor Economics*, Vol 3A, Amsterdam: Elsevier. Pp 1697-1760.

- Borjas, G.J. (2003). "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market", *Quarterly Journal of Economics*, November 2003, pp. 1335-1374

- Card, D. (1990). "The Impact of the Mariel Boatlift on the Miami Labor Market", *Industrial and Labor Relations Review*, 43 (2): 245-257

- Chiswick, B.R. (1978). "The Effect of Americanization on the Earnings of Foreign-Born Men", *Journal of Political Economy* 86

- Cobb-Clark, D. (1983). "Immigrant selectivity and wages: the evidence for women", *American Economic Review* 83(4): 986-993

- Friedberg, R. (2001). "The Impact of Mass Migration on the Israeli Labor Market", *Quarterly Journal of Economics*, Vol. 116, No. 4: 1373-1408.

- Gordon, H. and A. Spilimbergo. (1999). "Illegal Immigration, Border Enforcement, and Relative Wages", *American Economic Review* 89: 1377-1357

- Heckman, J. (1979). "Sample Selection Bias as a Specification Error", *Econometrica*, 47:143-61

- Lewis, E. (2004). "How did the Miami Labor Market Absorb the Mariel Immigrants", Federal Reserve Bank of Philadelphia, Working paper 04-03

- Peri G. and C. Sparber. (2007). "Task Specialization, Comparative Advantages, and the Effects of Immigration on Wages", Working Paper

http://www.econ.ucdavis.edu/faculty/gperi/Papers/peri_sparber_august_07.pdf

- Roy, A. (1951). "Some Thoughts on the Distribution of Earnings". Oxford Economic Papers 3: 135-146.
- Taylor, J.E. (1987). "Undocumented Mexico-US migration and the returns to households in rural Mexico", American Journal of Agricultural Economics 69 (3): 626-638

Topic 4:

- Altonji J.G. and R. Blank. (1999). "Race and Gender in the Labor Market" in O. Ashenfelter and D. Card, eds. Handbook of Labor Economics, Vol 3C North Holland
- Altonji J.G. and C.R. Pierret. (2001). "Employer Learning and Statistical Discrimination", Quarterly Journal of Economics 116: 313-350.
- Becker, G. (1971). "The Economics of Discrimination", 2nd ed. (Chicago University Press, 1971)
- Black, S. and P.E. Strahan. (2001). "The Division of Spoils: Rent-Sharing and Discrimination in a Regulated Industry", American Economic Review 91: 814-831
- Blinder, A. (1974). "Towards an Economic Theory of Income Distribution", Cambridge, Mass: MIT Press
- Cain, G. (1986). "The Economic Analysis of Labor Market Discrimination: a Survey", in Ashenfelter, OC and R. Layard, Handbook of Labor Economics, vol 1
- Case, A. and C. Paxson. (2006). "Stature and Status: Height, Ability and Labor Market Outcomes", NBER Working Paper 12466
- Croson R. and U. Gneezy. (2004). "Gender Differences in Preferences" Mimeo Wharton, University of Pennsylvania
- Cross, H. G. Kenny, J. Mell and W. Zimmerman. (1990). "Employer hiring practices: differential treatment of Hispanic and Anglo job seekers" (Urban Institute Press, Washington DC)
- Hamermesh, D.S. and J.E. Biddle. (1994). "Beauty and the Labor Market", American Economic Review, 84(5): 1174-1194
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- Holzer, H.J and K.R. Ihlanfeldt. (1998). "Customer Discrimination and Employment Outcomes for Minority Workers". Quarterly Journal of Economics 113: 835-867
- James R. and S.W. DelCastillo. (1991). "Measuring job discrimination by private employers against young black and Hispanic males seeking entry level work in the Denver metropolitan area", Unpublished paper (University of Denver)
- Kahn, L.M. (1991). "Discrimination in professional sports: a survey of the literature", Industrial and Labor Relations Review 44: 395-418
- Kahn, L.M and P.D. Sherer. (1988). "Racial differences in professional basketball players' compensation", Journal of Labor Economics 82: 175-197
- Kanazawa M.T. and J.P. Funk. (2001). "Racial Discrimination in Professional Basketball: Evidence from Nielsen Ratings", Economic Inquiry 39: 599-608
- Neal, D.A. and W. R. Johnson. (1996). "The role of premarket factors in black-white wage differences", Journal of Political Economy 104(5):869-895
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- Price, J. and J. Wolfers. (2007). "Racial Discrimination Among NBA Referees", NBER Working Paper 13206
- Ragan J.F. and C.H. Tremblay. (1988). "Testing for Employee Discrimination by Race and Sex", *Journal of Human Resources* 23: 123-137
- Turner, M.A., M. Fix and R. Struyk. (1991). "Opportunities denied, opportunities diminished: racial discrimination in hiring", (Urban Institute Press, Washington DC)