

**ECONOMICS 735-01: LABOR ECONOMICS**  
**UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**  
**SPRING 2012**

**Instructor:**

Prof. David Ribar  
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**Class meetings:**

TR 9:30-10:45 a.m., 456 Bryan Bldg.

**Office hours:**

TW 11:00 a.m.-12:00 p.m. and by  
appointment

**Description:** Economics 735 is a three-credit graduate survey of labor economics. The course focuses on microeconomic models of labor supply, household decision-making, human capital, job search, and labor demand. The course emphasizes applied work and econometric methodology.

**Student Learning Outcomes:** On completion of this course students will have:

- learned several conceptual models that form the foundation of micro labor economics;
- learned how advanced econometrics inform and are informed by the study of labor economics, and
- conducted an independent research project.

**Texts:** There is no specific, required text for the course. There are a number of undergraduate texts that cover the material at an introductory level and provide helpful institutional background. Foreign students and students who have not completed a previous labor economics course are encouraged to purchase or borrow an undergraduate text. Recent textbooks include (earlier editions of any of these books would be okay):

Borjas, George J. *Labor Economics*, 5th edition. New York: McGraw-Hill, 2009.

Ehrenberg, Ronald G. and Robert S. Smith. *Modern Labor Economics: Theory and Public Policy*, 9th edition. Boston: Addison Wesley, 2005.

Hotchkiss, Julie L. and Bruce E. Kaufman. *The Economics of Labor Markets* 7th edition. Thompson, 2006.

McConnell, Campbell R., Stanley L. Brue and David Macpherson. *Contemporary Labor Economics*, 8th edition. New York: McGraw-Hill/Irwin. 2007.

Instead of a formal text, book chapters, journal articles, and working papers will be assigned throughout the semester. In the reading list that follows, required articles are marked with a dot (•). Copies of all of these readings are available in my office and may be checked out by students. Where possible, I have also tried to incorporate articles that are available on-line into the course.

**Requirements:** Students are required to attend and participate in once-a-week seminar-type meetings over a semester. Starting with the second class, students are expected to complete

homework and reading assignments *before* each meeting, to prepare questions and comments about the assignments, and to contribute to discussions.

A paper (~15 pages), a paper presentation, a mid-term examination, and a final take-home examination will be used to assess students' comprehension of the course material. The paper may take the form of a literature review, an original theoretical model, a replicative empirical piece, and/or an original empirical piece. To encourage writing as a process and to provide interim feedback, elements of the paper will be due and graded in stages. A 1-2 page document with an abstract, proposed outline, and preliminary bibliography of the paper is due the seventh week of the semester (February 23). A complete initial draft of the paper is due April 17. A 15-minute presentation will be made during the last class of the term (April 19). Comments will be provided on the draft during the presentation. The final version of the paper is due a week and a half later (May 1). A take-home final examination will also be given out during the last class of the term and will be due on May 1. Arrangements to reschedule the examination and paper due dates must be made with the instructor prior to the scheduled dates. The following weights will be applied in determining the final grade:

Paper	50 %
Abstract	5 %
First draft	5 %
Presentation	5 %
Final draft	35 %
Mid-term examination	20 %
Final examination	30 %

In addition to these responsibilities, students are expected to conform to the University's Student Code of Conduct (<http://studentconduct.uncg.edu/>) and the Bryan School's Student Guidelines ([http://www.uncg.edu/bae/faculty\\_student\\_guidelines.pdf](http://www.uncg.edu/bae/faculty_student_guidelines.pdf)).

**Research Integrity:** Students are expected to be familiar with and abide by the University's Academic Integrity policy (see <http://academicintegrity.uncg.edu/>). Although all aspects of the policy are relevant, students should review the policies regarding plagiarism and falsification. A researcher's career depends on his/her honesty and integrity. I will seek the most severe punishments possible, including expulsion from the graduate program, for any violations of the Academic Integrity policy. Students may not collaborate on the research project or the take-home exams. If students have a question about whether some type of collaboration is permissible, they should ask the instructor first.

**Office Hours:** Scheduled office hours are Tuesdays 11:00 a.m.-12:00 p.m. If you would like to meet outside of the scheduled office hours, please call or e-mail to set up an appointment.

## Tentative Course Outline

### **January 10-12** Review of the Simple, Static Labor Supply Model

- Killingsworth, M. *Labor Supply*, New York: Cambridge University Press, 1983, chapter 1.

Blundell, Richard, and Thomas Macurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Deaton, A., and J. Muelbauer. *Economics and Consumer Behavior*. New York: Cambridge University Press, 1980.

Killingsworth, Mark, and James Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Pencavel, John. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

### **January 17-19** Labor Force Trends and Basic Empirical Considerations

- Blundell, Richard, and Thomas Macurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.
- Moffitt, Robert A. "New Developments in Econometric Methods for Labor Market Analysis," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.
- Mroz, Thomas. "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," *Econometrica*, 55:4 (July 1987), 765-99.

Angrist, Joshua, and Alan B. Krueger. "Empirical Strategies in Labor Economics," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999

Greene, W. H. *Econometric Analysis*, 5th ed. Upper Saddle River, NJ: Prentice Hall, 2003, chapters 21 and 22.

Hamermesh, D.S. "The Craft of Labormetrics," *Industrial and Labor Relations Review* 53:3 (April 2000), 363-80.

Killingsworth, M. *Labor Supply*. New York: Cambridge University Press, 1983, chapters 3 and 4.

Killingsworth, Mark, and James Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Pencavel, John. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

### **January 24-31** Household Production and Time Use

- Becker, G. "A Theory of the Allocation of Time," *Economic Journal*, 75 (September 1965), 493-517.

Aguiar, M., and E. Hurst. "Measuring the Trends in Leisure: The Allocation of Time over Five Decades," *Quarterly Journal of Economics* 122:3 (2007), 969-1006.

Bianchi, S.M. "Maternal Employment and Time with Children: Dramatic Change or Surprising Continuity?" *Demography* 37:4 (November 2000), 401-14.

Bianchi, S.M., M.A. Milkie, L.C. Sayer and J.P. Robinson. "Is Anyone Doing the Housework? Trends in the Gender Distribution of Household Labor," *Social Forces* 79 (September 2000), 191-228.

Gronau, R. "Leisure, Home Production, and Work—the Theory of the Allocation of Time Revisited," *Journal of Political Economy* 29:6 (December 1977), 1099-123.

Gronau, R. "Home Production - A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Grossman, Michael. "On the Concept of Health Capital and the Demand for Health," *Journal of Political Economy*, 80 (March/April 1972), 223-55.

Hamermesh, D.S. "The Timing of Work over Time." *Economic Journal* 109:542 (1999): 37-66.

Hamermesh, D.S. and J.E. Biddle. "Sleep and the Allocation of Time," *Journal of Political Economy* 98:5 Part 1 (October 1990), 922-43.

Juster, F. T. and F. P. Stafford. "The Allocation of Time: Empirical Findings, Behavioral Models, and Problems of Measurement," *Journal of Economic Literature*, 29 (June 1991), 471-522.

Juster, F.T., H. Ono and F. P. Stafford, "An Assessment of Alternative Measures of Time Use," *Sociological Methodology* 33 (1991), 19-54.

Kalenkoski, C.M., D.C. Ribar, and L.S. Stratton. "How Do Adolescents Spell Time Use?" *Research in Labor Economics* 33 (2011), 1-44.

Pollak, R.A. and M.L. Wachter. "The Relevance of the Household Production Function and Its Implications for the Allocation of Time," *Journal of Political Economy* 83:2 (April 1975), 255-78.

## **February 2-7 Models of Marriage and Family Decision-making**

- Bergstrom, T. C. "Economics in a Family Way," *Journal of Economic Literature* 34 (December 1996) 1903-34.
- Montgomery, M. and J. Trussell. "Models of Marital Status and Childbearing," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.
- Chiappori, Pierre-Andre. "Rational Household Labor Supply," *Econometrica* 56 (1988), 63-89.

Becker, G. S. *A Treatise on the Family*. Cambridge: Harvard University Press (1981), chapters 3 and 4.

Behrman, Jere. "Intrahousehold Distribution and the Family," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Bergstrom, Theodore. "A Survey of Theories of the Family," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Binmore, K. "Bargaining and Coalitions," in *Game-Theoretic Models of Bargaining*, edited by A. Roth. New York: Cambridge University Press, 1984, pp. 259-304.

Blundell, Richard, Pierre-Andre Chiappori and Costas Meghir. "Collective Labor Supply with Children."

Chiappori, Pierre-Andre. "Collective Labor Supply and Welfare," *Journal of Political Economy* 100 (1992), 437-67.

Hotz, V. Joseph, Jacob Klerman and Robert Willis. "The Economics of Fertility in Developed Countries," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Lundberg, S. and R. Pollak, "Separate Spheres Bargaining and the Marriage Market," *Journal of Political Economy* 101:6 (1993), 988-1010.

Lundberg, S. and R. Pollak, "Noncooperative Bargaining Models of Marriage," *American Economic Review--Proceedings* 84:2 (1994), 132-7.

Manser, M. and M. Brown. "Marriage and Household Decision-making: A Bargaining Analysis," *International Economic Review* 22 (1980), 31-44.

Lundberg, S. and R. Pollak, "The American Family and Family Economics," *Journal of Economic Perspectives* 21:2 (Spring 2007), 3-26.

McElroy, M. B. and M. J. Horney. "Nash Bargained Household Decisions: Toward a Generalization of the Theory of Demand," *International Economic Review*, 22 (1981), 333-49.

Rubinstein, A. "Perfect Equilibrium in a Bargaining Model," *Econometrica* 50 (1982), 97-109.

Weiss, Yoram. "The Formation and Dissolution of Families: Why Marry? Who Marries Whom? And What Happens Upon Divorce," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Woolley, F. "A Non-cooperative Model of Family Decision Making." LSE mimeo (1988).

### **February 9-14** Life Cycle Labor Supply

- Blundell, R. and T. MaCurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics*, vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North-Holland, 1999.
- MaCurdy, T. "An Empirical Model of Labor Supply in A Life Cycle Setting," *Journal of Political Economy* 89 (December 1981), 1059-86.

Browning, M.; A. Deaton, and M. Irish. "A Profitable Approach to Labour Supply and Commodity Demands over the Life Cycle," *Econometrica* 53 (May 1985), 503-44.

Eckstein, Z., and K. Wolpin. "Dynamic Labour Force Participation of Married Women and Endogenous Work Experience," *Review of Economic Studies* 56 (1989).

Heckman, J. J. and T. MaCurdy. "A Life Cycle Model of Female Labour Supply," *Review of Economic Studies* 47 (January 1980), 47-74.

Hotz, V. J.; F. E. Kydland, and G. Sedlacek. "Intertemporal Preferences and Labor Supply," *Econometrica* 56 (1988), 335-60.

Killingsworth, M., and J. Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Pencavel, J. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

### **February 16-23** Taxes, Transfers and Nonlinear Budget Constraints

- Blank, R. "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, 40:4 (December 2002), 1105-66.
- Keane, M. "Labor Supply and Taxes: A Survey," *Journal of Economic Literature* 49 (2011), 961-1075.

Danziger, S.; R. Haveman, and R. Plotnick. "How Income Transfers Affect Work, Savings, and the Income Distribution," *Journal of Economic Literature*, 19 (1981), 975-1028.

Hausman, J. "Labor Supply" in *How Taxes Affect Economic Behavior*, ed. by H. Aaron and J. Pechman, Washington: Brookings Institute, 1981.

Keane, M. and R. Moffitt. "A Structural Model of Multiple Welfare Program Participation and Labor Supply," *International Economic Review* 39:3 (August 1998), 553-89.

Moffitt, R. "The Econometrics of Piecewise-Linear Budget Constraints: A Survey and Exposition of the Maximum Likelihood Method," *Journal of Business and Economic Statistics*, 4 (July 1986), 317-28.

Moffitt, R. "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, 30:1 (March 1992), 1-61.

### **February 28** Mid-term in class

### **March 1** Basic Labor Demand Models

- Hamermesh, D.S. *Labor Demand*. Princeton, NJ: Princeton University Press, 1993, chapters 2, 3.

### **March 6-8** No class – Spring Break

### **March 13** Basic Labor Demand Models (continued)

- Hamermesh, D.S. *Labor Demand*. Princeton, NJ: Princeton University Press, 1993, chapters 2, 3.

### **March 15-20** Differences in outcomes by gender, race and ethnicity

- Altonji, J., and R. Blank. "Race and Gender in the Labor Market" in *Handbook of Labor Economics*, Vol. III, ed. by Ashenfelter and Card (2003), Chapter 48.

Cain, Glen. "The Economic Analysis of Labor Market Discrimination: A Survey" in *Handbook of Labor Economics*, Vol. I, ed. by Ashenfelter and Layard (1986), Chapter 13.

Darity, William, Jr. and Patrick Mason, "Evidence on Discrimination in Employment: Codes of Color, Codes of Gender," *Journal of Economic Perspectives* 12 (Spring 1998), 63-90.

Heckman, James. "Detecting Discrimination," *Journal of Economic Perspectives* 12 (Spring 1998), 101-16.

O'Neill, June. "The Role of Human Capital in Earnings Differences Between Black and White Men," *Journal of Economic Perspectives* 4 (Fall 1990), 25-45.

### **March 22-27** Unemployment and Partial Equilibrium Job Search Models

- Mortenson, D. "Job Search and Labor Market Analysis" in *Handbook of Labor Economics*, Vol. 2, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Devine, T.J. and N.M. Keifer, *Empirical Labor Economics: The Search Approach*. New York: Oxford University Press, 1991.

Flinn, C. and J. J. Heckman. "Models for the Analysis of Labor Force Dynamics" in *Advances in Econometrics*, Vol. I, edited by R. Basmann and G. Rhodes. Greenwich, CT: JAI Press, 1982.

Wolpin, K. "Estimating a Structural Search Model: The Transition from School to Work," *Econometrica* 55:4 (1987), 801-17.

### **March 29-April 3** Empirical analyses of Unemployment Spells

Allison, P. "Discrete-Time Methods for the Analysis of Event Histories," *Sociological Methodology* 13 (1982), 61-98.

Dynarski, M. and S.M. Sheffrin. "The Behavior of Unemployment Durations over the Business Cycle." *Review of Economics and Statistics* 72:2 (1990), 350-356.

Eckstein, Z., and G.J. van der Berg. "Empirical Labor Search: A Survey," *Journal of Econometrics* 136:2 (February 2007), 531-64.

Heckman, James J., and Burton Singer. "A Method for Minimizing the Impact of Distributional Assumptions in Econometric Models for Duration Data." *Econometrica* 52 (March 1984), 271-320.

Kiefer, N.M. "Economic Duration Data and Hazard Functions." *Journal of Economic Literature* 26:2 (1988), 646-679.

Lillard, Lee. "Simultaneous equations for hazards: Marriage duration and fertility timing." *Journal of Econometrics* 56 (1993): 189-217.

### **April 10-12** Equilibrium Job Search Models

- Mortenson, D.T. and C.A. Pissarides. "New Developments of Search in the Labor Market Analysis" in *Handbook of Labor Economics* Vol. 3B, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

**April 17** Imperfect markets

- Boal, W., and M. Ransom. "Monopsony in the Labor Market," *Journal of Economic Literature* 35 (March 1997), 86-112.

Manning, A. *Monopsony in Motion: Imperfect Competition in Labor Markets*. Princeton, NJ: Princeton University Press, 2003.

Manning, A. "Imperfect Competition in the Labor Market," in *Handbook of Labor Economics*, Vol. IV, part B (2011), Chapter 11.

**April 19** Student presentations; take home final exam distributed