

**ECONOMICS 771-01: LABOR ECONOMICS**  
**UNIVERSITY OF NORTH CAROLINA AT GREENSBORO**  
**FALL 2007**

**Instructor:**

Prof. David Ribar  
Office: 459 Bryan Building  
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**Class meetings:**

MW 9:00-10:50, 456 Bryan Bldg.

**Office hours:**

MWF 11 a.m. – 12 p.m. and by  
appointment

**Description:** Economics 771 is a two-credit 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. Some recent textbooks include (earlier editions of any of these books would be okay):

Borjas, George J. *Labor Economics*, 3rd edition. New York: McGraw-Hill/Irwin, 2005.  
Ehrenberg, Ronald G. and Robert S. Smith. *Modern Labor Economics*, 8th edition.  
Boston: Addison Wesley, 2003.  
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*, 7th edition. New York: McGraw-Hill/Irwin. 2006

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 an asterisk. 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; these are indicated in the syllabus.

**Requirements:** Students are required to attend and participate in twice-a-week seminar-type meetings over an eight-week period. 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 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. An outline of the paper is due the fourth week of the semester (September 12). The take-home final examination will be given out during the last class of the term. The final examination and final version of the paper will be due a week and a half later (October 19). 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 %
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 Ph.D. 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 Mondays, Wednesdays, and Fridays 11 a.m.-12 p.m. If you would like to meet outside of the scheduled office hours, please call or e-mail to set up an appointment.

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## Proposed Course Outline

**Week 1** Review of the Simple, Static Labor Supply Model and a Discussion of Standard Empirical Techniques

- Killingsworth, M. *Labor Supply*, New York: Cambridge University Press, 1983, chapters 1 and 2.
- 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.

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.

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.

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.

## **Week 2 Taxes, Transfers and Nonlinear Budget Constraints**

- Killingsworth, *Labor Supply*, New York: Cambridge University Press, 1983, chapter 6.
- Blank, R. "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, 40:4 (December 2002), 1105-66. (Available on-line through JSTOR).

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. (Available on-line through JSTOR).

## **Week 3 Household Production**

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

Bianchi, S.M. "Maternal Employment and Time with Children: Dramatic Change or Surprising Continuity?" *Demography* 37:4 (November 2000), 401-414.

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. (Available on-line through JSTOR).

Kalenkoski, C.M., D.C. Ribar, and L.S. Stratton. "How Do Adolescents Spell Time Use?" Unpublished manuscript, 2007.

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.

#### Week 4 Models of Marriage and Family Decisionmaking

- Bergstrom, T. C. "Economics in a Family Way," *Journal of Economic Literature* 34 (December 1996) 1903-34. (Available on-line through JSTOR).
- 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.

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.

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. 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. (Available on-line through JSTOR).

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.

### Week 5 Life Cycle Labor Supply

- Killingsworth, *Labor Supply*, New York: Cambridge University Press, 1983, chapter 5.
- MaCurdy, T. "An Empirical Model of Labor Supply in A Life Cycle Setting," *Journal of Political Economy* 89 (December 1981), 1059-86. (Available on-line through JSTOR).

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.

### Week 6 Human Capital

- Becker, G. *Human Capital*, 3rd ed., New York: Columbia University Press, Part I.
- Card, David. "The Causal Effect of Education on Earnings," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card (Amsterdam: North Holland, 1999).

Altonji, J. "The Demand for and Return to Education When Education Outcomes are Uncertain," *Journal of Labor Economics* 11:1 part 1 (1993), 48-83.

Cameron, S. and J. J. Heckman. "The Nonequivalence of High School Equivalent," *Journal of Labor Economics* 11 (1993), 1-47.

Card, D. and A. Krueger. "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States," *Journal of Political Economy* 100 (1992), 1-40.

Griliches, Z. "Sibling Models and Data in Econometrics: Beginnings of a Survey," *Journal of Political Economy* 87 (1979), S37-S64.

Heckman, J.J., R.J. Lalonde and J.A. Smith. "The Economics and Econometrics of Active Labor Market Programs," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Heckman, J.J., L.J. Lochner and P.E. Todd. "Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond," Discussion paper no. 1700. Bonn: IZA, August 2005.

Mincer, J. "On-the-Job Training: Costs, Returns, and Some Implications," *Journal of Political Economy* 70:5 part 2 (October 1962), 50-79.

Mincer, J. *Schooling, Experience and Earnings*, New York: Columbia University Press, 1974, chapters 1, 3 and 5.

Mincer, J. and S. Polachek. "Family Investments in Human Capital: Earnings of Women," *Journal of Political Economy* 82 (1974), S76-S108.

Topel, R. "Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority," *Journal of Political Economy* 99:1 (February 1991), 145-76.

Willis, R. "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions" in *Handbook of Labor Economics*, Vol. I, ed. by O. Ashenfelter and R. Layard (1986), Chapter 10.

Willis, R. and S. Rosen. "Education and Self-Selection," *Journal of Political Economy*, 87 (October 1979), S7-36.

## Week 7 Unemployment and Job Search

- 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.
- 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.

Davis, S.J. and J.C. Haltiwanger. "Gross Job Flows" in *Handbook of Labor Economics* Vol. 3B, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Davis, S.J., J.C. Haltiwanger and Scott Schuh. *Job Creation and Destruction*. Cambridge, MA: MIT Press, 1997.

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

Greene, W. H. *Econometric Analysis*, 5th ed. Upper Saddle River, NJ: Prentice Hall, 2003, chapter 22.5.

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.

## Week 8 Basic Labor Demand Models

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