

Hitotsubashi University
Department of Economics
Labor Economics
Winter 2016

Instructor: Hiroaki Mori

Lecture Time: M,W 8:50-10:20 AM

Course Website: <https://manaba.hit-u.ac.jp>

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Office Hours: M 11:00-12:00 & 15:00-16:00

Office: Faculty Building 2, Room 211

Course Description

The objective of the course is to provide students with basic economic tools needed to understand and analyze how labor markets work and how various government policies may affect the outcomes of the market. This course covers theory, policy applications, and standard econometric methods. Besides, we will discuss relevant empirical research throughout the course.

Learning Outcomes

- Students will learn how to analyze supply and demand behaviour in labor markets and the consequences for the determination of wages and employment.
- Students will learn how to analyze the effects of government policies, such as minimum wage laws, on labor markets.
- Students will learn how to explain a wide variety of wage patterns, including wage variation across different individuals, across regions, across countries, across occupations and across demographic groups.
- Students will be able to explain, using human capital models, why earnings for most individuals increase over their working lives and why the increase may be different for different individuals.
- Students will learn about econometric methods relevant to labor economics and will understand how to implement the empirical techniques to provide evidence on various labor market topics.

Lecture Style

This course consists of 24 lectures, two in-class midterm exams, one final exam, and three assignments. Lectures will be given in English. If time permits, a lecture will be followed by a Q&A session in which students may ask questions in Japanese.

Prerequisites

The prerequisites for this course are introductory microeconomics and introductory econometrics.

You are responsible for ensuring that you have successfully completed all course prerequisites. Lack of prerequisites may not be used as a basis for appeal. If you are found to be ineligible for a course, you may be removed from it at any time and you will receive no adjustment to your fees.

If you find that you do not have the course prerequisites, it is in your best interest to drop the course well before the end of the add/drop period. Your prompt attention to this matter will not only help protect your academic record, but will ensure that spaces become available for students who require the course for graduation.

Registration

You are responsible for ensuring you are registered in the correct courses. If you are not registered in this course, the Department will not release your marks until your registration is corrected. If you notice a problem, please contact your faculty academic counsellor right away.

Assessment

The course grade will be based on 3 assignments, two in-class midterm exams and a final exam. The distribution of the marks is as follows:

Assessment	Weight
Assignments (3)	30%
Midterm exam (2)	40%
Final exam	30%

Assignments: Three assignments will be posted to the course website. Typically, students will be given three weeks to complete each assignment. Students are permitted to work in groups of up to three students and to submit a single copy of their solutions per group. Assignments are due at the start of the day's lecture. The deadline for each assignment is listed below:

Exams: Midterm and final exams will contain multiple choice problems as well as short answer problems. Midterm will be held in class. All exams are closed book. All electronic

Assignment 1	10/31
Assignment 2	12/05
Assignment 3	01/23

devices, except for a non-programmable calculator, will be prohibited during exams. Final exam date will be TBA.

Policy Regarding Late/Missed Assignments: Late assignments will be assessed a 10% penalty the first day, and not accepted subsequently. If a student fails to submit an assignment on time, and has a valid reason, it is their responsibility to contact the instructor and explain the reason. Proof supporting this reason may be requested by the instructor.

Policy Regarding Missing Midterm Exam: There will be no make-up midterm. If a midterm is missed for acceptable reasons, I will reweigh the assessments and the term grade accordingly. Students may be required to provide medical or other relevant documentation that support their reasons for the absence.

Textbook

[1] **Borjas, George J., Labor Economics, 6th Edition, 2013.** [Text]

It is required that students have access to the textbook. The 7th edition, published in 2015, also works as a textbook. A copy of the textbook will be available in the library once the term begins. Please note that my lectures will not strictly follow the textbook. Rather, my lectures will be mostly based on the references listed at the end of the syllabus.

Schedule

Please note that the following is a tentative schedule for the course. All changes in schedule will be announced in class in advance. Students are responsible for learning about these changes.

Lecture (Date)	Topic
— (10/03)	Introduction
01 (10/05)	Labor supply theory
02 (10/10)	Social insurance and labor supply
03 (10/12)	Regression
04 (10/17)	Difference-in-differences
05 (10/19)	Family policies and employment of women
06 (10/24)	Labor demand theory
07 (10/26)	Overtime regulations
08 (10/31)	Labor market equilibrium
— (11/02)	Review for midterm 1
— (11/07)	Midterm 1 (in-class)
09 (11/09)	Minimum wages
10 (11/14)	Job polarization
11 (11/16)	Instrumental variables
12 (11/21)	Discrimination
13 (11/23)	Job search and matching
14 (11/28)	Unemployment insurance
15 (11/30)	College wage premium
16 (12/05)	Compensating differentials
— (12/07)	Review for midterm 2
— (12/12)	Midterm 2 (in-class)
17 (12/14)	Schooling choices
18 (12/19)	Returns to schooling
19 (12/21)	Lifecycle skill formation
20 (12/26)	Executive pay (optional)
21 (01/11)	Family investments in children
22 (01/16)	Wage dynamics
23 (01/18)	Selection bias and Roy model
24 (01/23)	Research methods in labor economics
— (01/25)	Review for final
— (01/30)	Final exam (in-class)

References

0. Program Evaluation Methods

- ** [Blundell and Dias \(2009\)](#) JHR. Alternative Approaches to Evaluation in Empirical Microeconomics
- ** [Lee and Lemieux \(2010\)](#) JEL. Regression Discontinuity Designs in Economics
- [Imbens and Angrist \(1994\)](#) EMA. Identification and Estimation of Local Average Treatment Effects
- [Heckman \(1997\)](#) JHR. Instrumental Variables: A Study of Implicit Behavioral Assumptions Used in Making Program Evaluations
- [Heckman \(1999\)](#) JHR. Instrumental Variables: Response to Angrist and Imbens
- [Heckman \(2000\)](#) QJE. Causal Parameters and Policy Analysis in Economics: A Twentieth Century Retrospective
- [Heckman \(2010\)](#) JEL. Building Bridges Between Structural and Program Evaluation Approaches to Evaluating Policy

1. Labor Supply

- ** [Bianchi et al. \(2001\)](#) AER. Iceland's Natural Experiment in Supply-Side Economics.
- ** [Imbens et al. \(2001\)](#) AER. Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players.
- ** [Blundell et al. \(2007\)](#) HoEX. Labor Supply Models: Unobserved Heterogeneity, Nonparticipation and Dynamics
- ** [Piketty and Saez \(2013\)](#) HoPE. Optimal Labor Income Taxation
- ** [Yamaguchi \(2016\)](#) JER. Family Policies and Female Employment in Japan
- [Eissa and Liebman \(1996\)](#) QJE. Labor Supply Response to the Earned Income Tax Credit.
- [Blundell et al. \(1998\)](#) EMA: Estimating Labor Supply Responses Using Tax Reforms.
- [Yamada \(2011\)](#) LE. Labor Supply Responses to the 1990s Japanese Tax Reforms
- [Card and Hyslop \(2005\)](#) EMA. Estimating the Effects of a Time-limited Earnings Subsidy for Welfare-leavers.
- [Blundell \(2005\)](#) LE. Earned Income Tax Credit Policies: Impact and Optimality
- [French and Song \(2014\)](#) AEJ. The Effect of Disability Insurance Receipt on Labor Supply

- [Saez \(2010\) AEJ](#). Do Taxpayers Bunch at Kink Points?
- [Krueger and Meyer \(2002\) HoPE](#). Labor Supply Effects of Social Insurance
- [Piketty et al. \(2014\) AEJ](#). Optimal Taxation of Labor Income: A Tale of Three Elasticities
- [Abe \(2013\) JWE](#). Regional Variations in Labor Force Behavior of Women in Japan.

2. Labor Demand

- ** [Hunt \(1999\) QJE](#). Has Work-Sharing Worked in Germany?
- [Acemoglu and Restrepo \(2016\)](#). The Race Between Machine and Man: Implications of Technology for Growth, Factor Shares and Employment
- [Genda et al. \(2011\) JHR](#). Long-Term Effects of a Recession at Labor Market Entry in Japan and the United States
- [Crepon and Kramarz \(2002\) JPE](#). Employed 40 Hours or Not Employed 39: Lessons from the 1982 Mandatory Reduction of the Workweek
- [Skuterud \(2007\) JoLE](#). Identifying the Potential of Work-Sharing as a Job-Creation Strategy
- [Chesmin and Wasmer \(2009\) JoLE](#). Using Alsace-Moselle Local Laws to Build a Difference-in-Differences Estimation Strategy of the Employment Effects of the 35-Hour Workweek Regulation in France

3. Competitive Labor Market Equilibrium

- ** [Carrington \(1996\) JPE](#). The Alaskan Labor Market during the Pipeline Era
- ** [Acemoglu et al. \(2004\) JPE](#). Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Midcentury
- ** [Kawaguchi et al. \(2014\) JLawE](#). Incidence of Strict Quality Standards: Protection of Consumers or Windfall for Professionals?

4. Minimum Wage

- ** [Card and Krueger \(1994\) AER](#). Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania
- ** [Kawaguchi and Mori \(2009\) PER](#). Is Minimum Wage an Effective Anti-Poverty Policy in Japan?
- ** [Sorkin \(2015\) RED](#). Are There Long-Run Effects of the Minimum Wage?
- ** [MaCurdy \(2015\) JPE](#). How Effective Is the Minimum Wage at Supporting the Poor?

- [Baker et al. \(1999\) JoLE](#). The Highs and Lows of the Minimum Wage Effect: A Time-Series Cross-Section Study of the Canadian Law
- [Flinn \(2011\) MIT Press](#). The Minimum Wage and Labor Market Outcomes
- [Lee and Saez \(2012\) JPubE](#). Optimal Minimum Wage Policy in Competitive Labor Markets
- [Kambayashi et al. \(2013\) LE](#). Minimum Wage in a Deflationary Economy: The Japanese Experience, 1994-2003.

5. Wage Discrimination

- ** [Neal and Johnson \(1996\) JPE](#). The Role of Premarket Factors in Black-White Wage Differences
- ** [Heckman \(1998\) JEP](#). Detecting Discrimination
- ** [Charles and Guryan \(2008\) JPE](#). Prejudice and Wages: An Empirical Assessment of Becker's The Economics of Discrimination
- [Bertrand and Mullainathan \(2004\) AER](#). Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination
- [Goldin and Rouse \(2000\) AER](#). Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians
- [Lang and Manove \(2011\) AER](#). Education and Labor Market Discrimination
- [Fryer Jr. \(2012\) HoLE](#). Racial Inequality in the 21st Century: the Declining Significance of Discrimination
- [Gayle and Golan \(2012\) ReStud](#). Estimating a Dynamic Adverse-Selection Model: Labour-Force Experience and the Changing Gender Earnings Gap 1968-1997

6. Compensating Differentials

- [Rosen \(1986\) HoLE](#). The Theory of Equalizing Differences
- [Ekeland et al. \(2004\) JPE](#). Identification and Estimation of Hedonic Models
- [Ashenfelter and Greenstone \(2004\) JPE](#). Using Mandated Speed Limits to Measure the Value of a Statistical Life
- [Olson \(2002\) JoLE](#). Do Workers Accept Lower Wages in Exchange for Health Benefits?
- [Cowan and Schwab \(2016\) JHE](#). Employer-sponsored Health Insurance and the Gender Wage Gap
- [Sorkin \(2016\)](#). Ranking Firms Using Revealed Preference

7. Skill Premium and Polarization

- ** [Acemoglu and Autor \(2011\) HoLE](#). Skills, Tasks and Technologies: Implications for Employment and Earnings
- ** [Jaimovich and Siu \(2012\)](#). The Trend is the Cycle: Job Polarization and Jobless Recoveries
- ** [Kawaguchi and Mori \(2016\) EER](#). Why has Wage Inequality Evolved so Differently between Japan and the US? The Role of the Supply of College-Educated Workers
- [Autor et al. \(2013\) AER](#). The China Syndrome: Local Labor Market Effects of Import Competition in the United States
- [Autor et al. \(2016\) ARE](#). The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade
- [Beaudry et al. \(2016\) JoLE](#). The Great Reversal in the Demand for Skill and Cognitive Tasks
- [Katz and Murphy \(1992\) QJE](#). Changes in Relative Wages, 1963-1987: Supply and Demand Factors
- [Card and Lemieux \(2001\) QJE](#). Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis
- [Carneiro and Lee \(2011\) AER](#). Trends in Quality-Adjusted Skill Premia in the United States, 1960-2000
- [Hendricks and Schoellman \(2014\) JME](#). Student Abilities During the Expansion of US Education
- [Bowlus and Robinson \(2012\) AER](#). Human Capital Prices, Productivity, and Growth

8. Job Search, Matching and Unemployment

- [Rogerson et al. \(2005\) JEL](#). Search-Theoretic Models of the Labor Market: A Survey
- [Hagedorn and Manovskii \(2008\) AER](#). The Cyclical Behavior of Equilibrium Unemployment and Vacancies Revisited
- [Hagedorn et al. \(2013\)](#). Unemployment Benefits and Unemployment in the Great Recession: The Role of Macro Effects

9. Optimal Unemployment Insurance

- ** [Chetty \(2008\) JPE](#). Moral Hazard versus Liquidity and Optimal Unemployment Insurance
- [Meyer \(1990\) EMA](#). Unemployment Insurance and Unemployment Spells
- [Gruber \(1997\) AER](#). The Consumption Smoothing Benefits of Unemployment Insurance
- [Browning and Crossley \(2001\) JPubE](#). Unemployment Insurance Benefit Levels and Consumption Changes
- [Feldstein \(2005\) AERPP](#). Rethinking Social Insurance
- [Card et al. \(2007a\) AERPP](#). The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job?
- [Card et al. \(2007b\) QJE](#). Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market
- [Chetty and Siedl \(2007\) QJE](#). Consumption Commitments and Risk Preferences
- [Shavell and Weiss \(1979\) JPE](#). The Optimal Payment of Unemployment Insurance Benefits over Time
- [Hopenhayn and Nicolini \(1999\) JPE](#). Optimal Unemployment Insurance
- [Michelacci and Ruffo \(2015\) AER](#). Optimal Life Cycle Unemployment Insurance

10. Schooling Decisions

- ** [Belly and Lochner \(2007\) JHC](#). The Changing Role of Family Income and Ability in Determining Educational Achievement
- ** [Lochner and Monge-Naranjo \(2012\) ARE](#). Credit Constraints in Education
- [Goldin et al. \(2006\) JEP](#). The Homecoming of American College Women: The Reversal of the College Gender Gap
- [Kane \(2006\) HoEE](#). Public Intervention in Post-Secondary Education
- [Fortin et al. \(2015\) JHR](#). Leaving Boys Behind: Gender Disparities in High Academic Achievement
- [Bound and Turner \(2007\) JPubE](#). Cohort Crowding: How Resources Affect Collegiate Attainment
- [Bound and Turner \(2011\) HoEE](#). Dropouts and Diplomas: The Divergence in Collegiate Outcomes

- [Heckman and LaFontaine \(2010\) ReStat](#). The American High School Graduation Rate: Trends and Levels
- [Blundell et al. \(2016\) EMA](#). Female Labor Supply, Human Capital, and Welfare Reform
- [Cunha et al. \(2005\) OEP](#). Separating Uncertainty from Heterogeneity in Life Cycle Earnings
- [Stinebrickner and Stinebrickner \(2012\) JoLE](#). Learning about Academic Ability and the College Dropout Decision
- [Wiswall and Zafar \(2015\) JHC](#). How Do College Students Respond to Public Information about Earnings?
- [Arcidiacono \(2004\) JoE](#). Ability Sorting and the Returns to College Major
- [Stinebrickner and Stinebrickner \(2014\) ReStud](#). A Major in Science? Initial Beliefs and Final Outcomes for College Major and Dropout
- [Altonji et al. \(2016\) HoEE](#). The Analysis of Field Choice in College and Graduate School: Determinants and Wage Effects
- [Lochner and Monge-Naranjo \(2016\) HoEE](#). Student Loans and Repayment: Theory, Evidence, and Policy
- [Spence \(1973\) QJE](#). Job Market Signaling
- [Clark and Marorell \(2014\) JPE](#). The Signaling Value of a High School Diploma

11. Returns to Education

- ** [Heckman et al. \(2006\) HoEE](#). Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond
- ** [Lochner \(2011\) HoEE](#). Nonproduction Benefits of Education: Crime, Health, and Good Citizenship
- [Mincer \(1958\) JPE](#). Investment in Human Capital and Personal Income Distribution
- [Heckman et al. \(2008\) JHC](#). Earnings Functions and Rates of Return
- [Meghir and Rivkin \(2011\) HoEE](#). Econometric Methods for Research in Education
- [Angrist and Krueger \(1991\) QJE](#). Does Compulsory School Attendance Affect Schooling and Earnings?
- [Ashenfelter and Krueger \(1994\) AER](#). Estimates of the Economic Return to Schooling from a New Sample of Twins.

- [Oreopoulos \(2006\) AER](#). Estimating Average and Local Average Treatment Effects of Education When Compulsory Schooling Laws Really Matter
- [Maurin and McNally \(2008\) JoLE](#). Vive la Révolution! Long-Term Educational Returns of 1968 to the Angry Students
- [Vytlacil \(2002\) EMA](#). Independence, Monotonicity, and Latent Index Models: An Equivalence Result
- [Carneiro et al. \(2011\) AER](#). Estimating Marginal Returns to Education

12. Lifecycle Skill Formation

- ** [Cunha et al. \(2006\) HoEE](#). Interpreting the Evidence on Life Cycle Skill Formation
- ** [Caucutt et al. \(2016\) SJE](#). Correlation, Consumption, Confusion, or Constraints: Why Do Poor Children Perform so Poorly?
- [Oster et al. \(2012\) AER](#). Limited Life Expectancy, Human Capital and Health Investments
- [Heckman et al. \(2006\) JoLE](#). The Effects of Cognitive and Noncognitive Abilities on Labor Market Outcomes and Social Behavior
- [Currie and Almond \(2010\) HoLE](#). Human Capital Development before Age Five
- [Cunha et al. \(2010\) EMA](#). Estimating the Technology of Cognitive and Noncognitive Skill Formation
- [Heckman et al. \(2010\) JPubE](#). The Rate of Return to the High-Scope Perry Preschool Program
- [Heckman et al. \(2013\) AER](#). Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes
- [Garcia et al. \(2016\)](#) The Life-Cycle Benefits of an Influential Early Childhood Program
- [Del Boca et al. \(2012\) ReStud](#). Household Choices and Child Development
- [Chetty et al. \(2011\) QJE](#). How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project Star

13. Wage Dynamics and Lifetime Inequality

- ** [Ben-Porath \(1967\) JPE](#). The Production of Human Capital and the Life Cycle of Earnings
- ** [Kuruscu \(2006\) AER](#). Training and Lifetime Income

- [Rubinstein and Weiss \(2006\) HoEE](#). Post Schooling Wage Growth: Investment, Search and Learning
- [Lazear \(1979\) JPE](#). Why Is There Mandatory Retirement?
- [Topel and Ward \(1992\) QJE](#). Job Mobility and the Careers of Young Men
- [Flinn \(2002\) ReStud](#). Labour Market Structure and Inequality: A Comparison of Italy and the U.S.
- [Bowlus and Robin \(2012\) JEEA](#). An International Comparison of Lifetime Inequality: How Continental Europe Resembles North America.
- [Keane and Wolpin \(1997\) JPE](#). The Career Decisions of Young Men
- [Neumark and Stock \(1999\) JPE](#). Age Discrimination Laws and Labor Market Efficiency
- [Yamaguchi \(2010\) JoLE](#). Job Search, Bargaining, and Wage Dynamics
- [Gathman and Schönberg \(2010\) JoLE](#). How General Is Human Capital? A Task-Based Approach
- [Yamaguchi \(2012\) JoLE](#). Tasks and Heterogeneous Human Capital
- [Bagger et al. \(2014\) AER](#). Tenure, Experience, Human Capital, and Wages: A Tractable Equilibrium Search Model of Wage Dynamics

14. Selection Bias and Roy Model

- ** [Neal \(2004\) JPE](#). The Measured BlackWhite Wage Gap among Women Is Too Small
- ** [Blundell et al. \(2007\) EMA](#). Changes in the Distribution of Male and Female Wages Accounting for Employment Composition Using Bounds
- ** [Olivetti and Petrongolo \(2008\) JoLE](#). Unequal Pay or Unequal Employment? A Cross-Country Analysis of Gender Gaps
- ** [Mulligan and Rubinstein \(2008\) QJE](#). Selection, Investment, and Women's Relative Wages over Time
- [Heckman \(1979\) EMA](#). Sample Selection Bias as a Specification Error
- [Onozuka \(2016\) JJIE](#). The Gender Wage Gap and Sample Selection in Japan
- [Dahl \(2002\) EMA](#). Mobility and the Return to Education: Testing a Roy Model with Multiple Markets
- [Kennan and Walker \(2011\) EMA](#). The Effect of Expected Income on Individual Migration Decisions

- [Lessem \(2015\)](#) Mexico-U.S. Immigration: Effects of Wages and Border Enforcement
- [Cunha and Heckman \(2016\)](#) JoLE. Decomposing Trends in Inequality in Earnings into Forecastable and Uncertain Components
- [French and Taber \(2011\)](#) HoLE. Identification of Models of the Labor Market

15. Executive Compensation

- ** [Murphy \(1999\)](#) HoLE. Executive Compensation
- ** [Gabaix and Landier \(2008\)](#) QJE. Why has CEO Pay Increased So Much?
- [Gayle and Miller \(2009\)](#) CES. Insider Information and Performance Pay
- [Gayle and Miller \(2009\)](#) AER. Has Moral Hazard Become a More Important Factor in Managerial Compensation?
- [Gayle et al. \(2012\)](#) JoLE. Gender Differences in Executive Compensation and Job Mobility
- [Gayle et al. \(2015\)](#) EMA Promotion, Turnover, and Compensation in the Executive Labor Market
- [Gayle and Miller \(2015\)](#) ReStud. Identifying and Testing Models of Managerial Compensation