

PRELIMINARY SYLLABUS

Labor Economics

BC3019, Fall 2020 Intensive B
Barnard College, Columbia University

INSTRUCTOR: Prof. Lalith Munasinghe

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OFFICE: MLC 1013

OFFICE HOURS: TBA

CLASS HOURS: MTWR 1:10PM – 2:25PM

CLASS ROOM: Zoom

COURSE DESCRIPTION:

This course will introduce you to the economics of labor markets. The first part of the course will focus on labor supply and labor demand, and some direct applications. Labor force participation rates of women, welfare and work incentives, earnings gap across skill groups and technological progress, and fixed costs of employment are some of the topics we will discuss in the context of this basic theory of supply and demand. The second part of the course will focus on a variety of labor market topics including human capital theory, household production, compensating wage differentials, quasi-fixed labor costs, job market signaling, labor mobility, and discrimination analysis. In addition, we will cover some key topics from managerial/personnel economics such as pay for performance, group incentives, and CEO compensation.

And finally, I hope to introduce real world case studies to highlight how labor theory and analysis can shed light on actual problems. If you are interested in consulting, big data and human capital analytics you'll probably find these case studies quite interesting and relevant.

Some of these case studies will touch on big things that are happening in our society today — the pandemic as well as cultural movements that address discrimination like *Black Lives Matter* and *Me Too*. I'll present survey results from my research to understand how employees are adapting to new Covid realities, and will be drawing on these data to explore questions about the pros and cons of remote work, employees' expectations about their future careers, employee stress & well-being (for example are employees more stressed about their health or their job security?). I'll also incorporate data about gender disparities in household work, and the "glass ceiling" women face in trying to move up within organizations, into our lessons

about labor market discrimination. The Labor theory I teach in this course is helpful to make sense of many of these patterns and findings that we see in the real world

PREREQUISITES:

The prerequisite for the course is Intermediate Microeconomics. Under special request I will consider a student who is concurrently taking Intermediate Microeconomics. Students are also encouraged to take Statistics and Econometrics prior to taking this class, although they are not prerequisites.

LEARNING OBJECTIVES:

(1) Show fluency in the basic concepts, models and tools of microeconomic and macroeconomic theory. (2) Apply economic reasoning to understand the causal determinants of economic events, empirical regularities, and policy proposals. (3) Apply basic skills of empirical reasoning to economic problems. (4) Articulate a well-defined research question and conduct independent research using economic reasoning and evidence. (5) Communicate economic ideas effectively in written or oral form. (6) Understand and apply statistical techniques to make inferences about economic hypotheses.

REQUIREMENTS AND EVALUATION:

There will be regular homework assignments. Homework will be collected and checked (graded on a check-plus, check, check-minus scale). Problem sets should be handed in directly to the grader, and they will let you know when and how you can collect your graded problem sets. Complete answer sheets will be posted in Courseworks on the due date of the problem set. Students should take the homework seriously as it is essential to learning the course material. Final course grade will be based on a midterm exam, a short essay and a final exam.

HONOR CODE:

The honor code will be strictly enforced. Approved by the student body in 1912 and updated in 2016, the Code states:

We, the students of Barnard College, resolve to uphold the honor of the College by engaging with integrity in all of our academic pursuits. We affirm that academic integrity is the honorable creation and presentation of our own work. We acknowledge that it is our responsibility to seek clarification of proper forms of collaboration and use of academic resources in all assignments or exams. We consider academic integrity to include the proper use and care for all print, electronic, or other academic resources. We will respect the rights of others to engage in pursuit of learning in order to uphold our commitment to honor. We pledge to do all that is in our power to create a spirit of honesty and honor for its own sake.

RECOMMENDED TEXTBOOKS:

I will provide lecture notes for all of my classes. These notes will be posted in the Syllabus section under the various Sessions. Additional reading materials will be posted in Canvas. The following textbook is recommended. Any recent version will be fine.

Modern Labor Economics, R. Ehrenberg and R. Smith, Prentice Hall. Any recent edition of this textbook should be fine.

COURSE OUTLINE:

Labor supply. Develop a choice theoretic model of labor supply – whether, and if so, how much time people spend working. Use this simple model to look at the effects of subsidies and welfare programs on labor supply. Provide a rationale for why people work large fixed hours. Why is it that people typically don't work for a couple of hours a day?

Labor Demand. Develop a theory of labor demand via the neoclassical theory of production. Why and what type of labor firms want to buy. Use this theory to understand the effects of minimum wage legislature and how technology might affect a firm's demand for labor.

Wage Determination. Address the question of how wages in the labor market come to be determined from the interaction of supply and demand. That is also why we study supply and demand first, thus reversing the order in the book.

Theory of Household Production. Theory of household production is an extension of the simple theory of labor supply that also incorporates homework or housework. In this context we will discuss the costs and gains to marriage, i.e., the economics of partnerships. Also, this more complete theory sheds further light on the labor force participation trends of women.

Quasi-Fixed Labor Costs. These refer to labor costs that are over and above wages and include hiring and training costs, benefits, etc. Effects of such costs on a variety of labor market outcomes such as compensation packages, job turnover, etc.

Investments in Human Capital. Theory of human capital: primarily to deal with heterogeneity of labor. Viewed as an investment decision, it is a very powerful theory that for the first time is able to explain differences in earnings across jobs and a variety of observable worker characteristics.

Production of Human Capital. The anatomy of the wage profile by Mincer is the central model of all empirical work on individual earnings. It explains why the wage profile over time is upward sloping, and provides an intuitive and simple procedure to estimate returns to education, experience and job training.

Signaling in the Job Market. A paper by a recent Nobel Laureate who asks whether the high earnings of more educated workers could be a premium for inherently higher ability with education operating as a signaling device. This model contrasts with the Human Capital theory that argues that education increases worker productivity.

Compensating Wage Differentials. Develop a model to address issues of safety in the work place. How does the market deal with risk on the jobs? Is there a need for regulation? What are the economic effects of regulation?

Discount Rates. Why Do Dancers Smoke?

Discrimination Analysis. We will focus on earnings differences across gender and race. We will talk about measurement of discrimination, theories of discrimination and the feedback effects of discrimination on human capital investment decisions.

Other Topics: Pay and Productivity; Internal Labor Markets.

Selected Case Studies:

Why Do Dancers Smoke? Investments in human capital and individual time preference

Globalization and Technological Progress

Measuring Changes in Extreme Temperatures

Referrals as match-makers: <http://hbr.org/2020/05/build-a-stronger-employee-referral-program>

Interviewers in the hiring process

Employees & remote work during Covid-19

TEACHING STYLE AND TIPS:

1. Class participation is very much encouraged. I also ask questions during class and you should feel free to seek clarification if something I say is unclear or confusing. Please turn off all your devices.
2. The approach will be non-cookbook. The objective is to teach you how to think critically about economics . . . and my lectures will not be a recipe on how to solve your problem sets. The problem sets are an integral aspect of your learning and the lab sections are designed to help you with this aspect of the course.