ECON 480: Labor Economics

Summer II 2015, Instructor: Brad Shrago

June 10, 2015

1 Administrative Details

Instructor: Brad Shrago
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Office: Phillips Annex 102
Office Hours: TBD
Course Website: sakai.unc.edu

Prerequisites: ECON 101 and ECON 410 are required. You are expected to be comfortable with standard techniques of microeconomic analysis, including utility maximization subject to a constraint, profit maximization, computing elasticities, etc. ECON 400 (statistics) is *not* a prerequisite. Hence, statistical tools which are studied in this course will be taught during the course.

Textbook: Derek Laing, *Labor Economics*, 1st Edition

Course Description: ECON 480 applies concepts from microeconomic theory to the study of labor markets. We will cover classical and modern theories of labor market behavior. Additionally, as labor economics is a predominantly empirical field, we will discuss empirical methodology and inference used in labor economics.

Expectations: All course content is fair game for exams. Students are strongly encouraged to attend lectures and complete both assigned readings and homework assignments. Questions and discussion are encouraged during lecture. Disruptive behavior will not be tolerated, and the instructor may institute specific rules to foster a productive class environment.

Grading: Students will be evaluated with five homework assignments, two midterm examinations, and one cumulative final exam. These components are weighted as follows:

Homework: 6% each (total 30%)
Midterm 1: 18%
Midterm 2: 18%
Final Exam: 34%

Letter grades are determined based on these components, and are assigned as follows:

A: 93 - 100; A-: 90 - 92.99
B+: 87 - 89.99; B: 83 - 86.99; B-: 80 - 82.99
C+: 77 - 79.99; C: 70 - 76.99; C-: 68 - 69.99
D+: 66 - 67.99; D: 60 - 65.99
F: 0 - 59.99

Homework: Six graded homework assignments will be given throughout the term. Each homework assignment will consist of a brief problem set (which may include questions related to theory and/or empirics) as well as a brief writing assignment. Students are encouraged to work together on homework assignments. However, each student must hand in her own work. Late homework will be given half credit if it is turned in within 24 hours of the due date, but no credit if it is turned in any later.

Exams: Two in-class exams will be given during the course. Midterms will be administered on the following dates during regular course hours in the standard classroom:

Midterm 1: Tuesday, July 7
Midterm 2: Tuesday, July 21

No makeup exams will be provided. Students who are absent from an exam must inform the instructor in a timely manner of the reason of their absence; for planned absences the instructor should be contacted as soon as possible. For unplanned absences, the student must provide the instructor proof of excuse (e.g. doctor's note). Students who miss any of the midterms with an excused absence will have the weight of the missed midterm spread evenly across the remaining exam(s). Those who are not excused will receive a 0 for the missed exam.

Final Exam: The final exam is scheduled for **Monday, July 27, 2015 at 8:00 AM.** All students must take the final exam at this time unless they have received official permission from the University in writing. The final exam is cumulative, and material from the two midterms will be given approximately equal weight.

Regrade Requests: Regrade requests must be submitted in writing within one week of the exam or homework being returned. Students must include a clear explanation of why they believe a grading error has occurred.

Honor Code: The UNC Honor Code (honor.unc.edu) is in effect at all times.

2 Course Outline:

Notes: The following is a *rough* course outline. Given the nature of summer courses, we may have to skip over some material.

2.1 Introduction/Review: 2 Lectures:

- Administrative details, introduction to topics in labor economics.

- Lectures 1-2: Introduction to the supply/demand framework in labor economics (1.1 - 1.4); Intro to the US Labor Market (2.1 - 2.3)

- Lecture 2: Introduction to econometric methods used in labor economics: Linear regression and econometric challenges (A.1 - A.4)

2.2 Neoclassical Labor Supply: 4 Lectures

- Lecture 1-2: Preferences, constraints, and optimal decisions (4.1 - 4.3)

- Lecture 2-3: Comparitive statics (4.4)

- Lecture 3-4: Welfare policy and model predictions (9.1 - 9.4)

- Lecture 4: Empirical evidence on the elasticity of labor supply (4.5)

2.3 Labor Demand: Perfect Competition and Monopsony: 3 Lectures

- Lecture 1: Neoclassical Labor Demand (3.1 - 3.3)

- Lecture 2: Monopsony: Theory and evidence (3.4)

- Lecture 3: The Minimum Wage: Theory and evidence (8.1 - 8.3)

End of Midterm 1 Material

2.4 Economics of Education: 3 Lectures

- Lecture 1-2: Human Capital Theory (5.1 - 5.4)

- Lecture 2: Signaling (13.1, 13.3, 13.A)

- Lecture 3: Evidence on the returns to schooling (5.5, 5.A)

2.5 Labor Market Discrimination: 2-3 Lectures

- Lecture 1: Classical theories of discrimination (11.1 - 11.4)

- Lectures 1-2: Statistical Discrimination (11.5)

- Lectures 2-3: Gender and racial wage gaps in USA (12.1 - 12.3)

2.6 Incentives: 1-2 Lectures

- Lectures 1-2: The Principal-Agent Model (14.1 - 14.3, 14.A)

End of Midterm 2 Material

2.7 Unemployment: 2 Lectures

- Lecture 1: Classical theories and efficiency wages (22.1 - 22.3)

- Lecture 2: Search theory of unemployment (24.1 - 24.3)

2.8 The Wage Structure: 2 Lectures

- Lecture 1-2: Measurement and evidence (19.1, 19.3 - 19.4)

- Lecture 2: Superstars and executive pay (19.2, 17.1 - 17.3)