Students Learning Objectives

The goal of the course is twofold: to survey existing research on a number of topics of current interest in labor economics, and to develop students’ abilities to engage in original research at the graduate level. To help achieve the latter goal, there is a fairly heavy emphasis on modeling approach and empirical analysis that are associated with each of the areas.

The topics covered include labor supply and demand, the human capital model, contract and incentive in the labor market, changes in wage structure, job search and mobility, migration, and discrimination in labor markets.

Because of the empirical bend of this course and of labor economics in general, it is essential that you have an understanding of modern empirical methods in economics. You need to understand about how problems such as simultaneity, omitted variables, and measurement error affect ordinary least squares estimates. Having knowledge about panel data estimation techniques and limited dependent variables is an advantage.

Course Requirements

There are four requirements. First, students must complete one empirical exercise (30%). Two, students must submit and present a research paper (40%). Three, students should critically review papers and present them in the class (20%). Fourth, students must take an exam (20%).

Empirical Exercise

There will be one exercise in which students are given access to a standard data set, and asked to assemble evidence on a topic covered in a set of papers that we are discussing in class. I will announce the due date later in class. This project will undoubtedly entail major time commitments, even for those students who have developed econometrics and computer skills. Thus, students are also strongly encouraged to help each other out in learning how to use the computers, appropriate software and data manipulation. However, students are not allowed to pair off with another student in data manipulation, nor writing up the paper. Students should start on these early in the semester, and work on them throughout the semester. The quality of topic writing will be an important determinant of the grade on the exercise.
Term Paper

Students should submit a term paper. While this counts for 40% of final grade, I consider this the most important part of the course. This is envisioned as the nucleus of a final 3rd year research paper, with only the actual empirical work or with fully-developed theoretical model without the empirical part. It should have many components of a final research paper, including introduction, and literature review. If it is to be a theoretical paper, it should include a discussion of data and econometric strategy, including anticipated problems and proposed solutions. If it is to be an empirical paper, it should include results and proposed extensions. This proposal might serve as a basis for paper you will write while in graduate school or third year research paper. Students should feel free to consult with other professors. Students should start on these early in the semester, present their ideas during the semester, and work on them throughout the semester. We will have a brainstorm session for this project.

Presentation

Students select a paper(s), critically review the paper, and present it in the class. Papers from the reading list are fine. If students would like to present any paper not in the reading list, please consult it with me beforehand.

Exam

Students must take an exam. The date will be announced.

Help: Office Hours: By appointment
Office: CKS 105
Phone: 956-7041
E-mail: leesang@hawaii.edu
www2.hawaii.edu/~leesang
Reading List

The following book is required and it is available from the campus bookstore.


Students may also find it helpful to have access to a number of good econometrics texts and monographs which cover OLS, instrumental variables, panel data, and models with qualitative and limited dependent variables. In addition to the text book, there is a reading list which is limited to the required readings for the course.

Many of our readings come from Ashenfelter, Orley C. and David Card ed. Handbook of Labor Economics Volume 4A and 4B (2011), and 3A, 3B and 3C (1999) North-Holland. Because students may not want copies of every paper, I have not made a course pack. However, students can borrow them from me. I also made it possible for students to borrow copies of all the other readings during course. Any edition of Ehrenberg, R.G. and Robert S. Smith (most recent one is 2014, 12th edition), Modern Labor Economics is useful as a background reading. Or any other undergraduate level textbooks are fine for quick review. * on the reading materials means the papers I will more likely to refer and cover in class.

I. Empirical Strategies


II. Labor Supply

Cahuc, Carcillo & Zylberberg (CC&Z hereafter) Ch. 1.


III. The Human Capital Model

General Theory

CC&Z Ch. 4


Schooling and Ability


Experience, Tenure, and Marriage


Credit Constraint


IV. Labor Demand

CC&Z Ch. 2.


V. Technological Progress, Globalization, and Changes in Wage Structure

CC&Z Ch. 10 & 11


Migration


VI. Contract, Incentive, and Mobility

CC&Z Ch. 6


Job Mobility


VII. Job Search and Unemployment

CC&Z Ch. 5 & 9


VIII. Discrimination in Labor Markets

CC&Z Ch. 8


**IX. Other Topics**

*Labor Union & Collective Bargaining*

CC&Z Ch. 7

*Compensating Wage Differentials*

CC&Z Ch. 3
How to Use NLSY79

The NLSY79 is now accessed via the Web Investigator only.

1. Visit https://www.nlsinfo.org/investigator/pages/login.jsp
2. Register and log in
3. Choose NLSY79 (1979-2012)
4. Start to extract tagged variables.

Economics 670 Empirical Project

There is one exercise in which students are given access to a standard data set, and asked to assemble evidence on a topic covered in a set of papers that we are discussing in class. I will announce the due date later in class. This project will undoubtedly entail major time commitments, even for those students who have developed computer skills. Students are also encouraged to help each other out in learning how to use the computers and appropriate software. However, students are not allowed to pair off with another student in data manipulation, nor writing up. On the day the projects are due, each student or group of students will make a brief presentation. Students should start on these early in the semester, and work on them throughout the semester. The quality of writing and presentation will be an important determinant of the grade on the exercise.

<Project>

Use the NLSY to obtain OLS estimates of the returns to schooling, experience, and tenure for men and women. What functional forms for the dependent variable and these independent variables best fit the data? What is the estimated return to schooling with and without controlling for experience and tenure? Which estimate provides a better measure of the financial benefit of additional schooling? I have obviously left a host of the details unspecified, including sample period, model specification, etc. Regarding these issues, make your own decisions as to how best to estimate these returns. Explain the rationale for these decisions. Discuss the econometric problems inherent in interpreting your estimated returns as causal effects of additional schooling, experience, or tenure. Discuss some possible solutions to these problems.

Your results and discussion should be written up in a professional manner, including typed text and tables.