

31E00700
Labor Economics I
Spring 2021

Schedule updated: February 10, 2021

This is preliminary schedule: Both the schedule and the reading list can be modified.

| Instructor's contact information | Course information |
|--|---|
| Name: Kristiina Huttunen E-mail: Kristiina.huttunen@aalto.fi Office: Department of Economics Office Hours: by request Instructor's Webpage: | MSc (Econ), elective course Location: Online Course Website: https://mycourses.aalto.fi/course/view.php?id=28400 |

1. OVERVIEW

This course provides an overview of the modern microeconomic approaches that economists use to analyze the labor markets. We will emphasize the interplay between theory and empirics and cover topics such as labor supply, labor demand, minimum wage laws, job search, job loss, unemployment and gender differences in labor market. The aim is to link theory to recent empirical papers about the topic.

2. PREREQUISITES

You should be comfortable with intermediate microeconomics and with basic concepts covered in Empirical Methods for Economists (31C01200). This course has a particular emphasis on empirical evidence. If you have already taken Applied Microeconometrics I (31E00910), you will see many familiar empirical approaches in action. Nonetheless, as 31E00910 is not a formal prerequisite of the course, we will also briefly review empirical methods in class.

3. ASSESSMENT AND GRADING

There will be four graded problem sets and a final exam. 50% of the final grade will be based on the performance in these problem sets and the final exam will account for the remaining 50%. To pass the course, you should pass both the problem sets and the exam.

Please note that deadlines are binding: problem sets will only be considered if they have been handed in on time.

4. READINGS

Lecture slides. Many topics discussed in the course discussed in “Labor Economics” either by Cahuc/Carcillo/Zylberberg (2014, Second edition) or alternatively Cahuc/Zylberberg (2004).

In addition, in each lecture we also discuss **particular academic papers**. Possible papers are listed below (can be updated). In each chapter, required readings are marked with an asterisk. I will ask

you to read some of the articles before lecture/exercise sessions- these will be posted on course website. Furthermore, you can also find in the reading list a number of references which are meant to be additional reading for an interested student. During the lectures we will also cover briefly some articles outside of the reading list. All material will be posted at the Course Web Page:

<https://mycourses.aalto.fi/course/view.php?id=28400>

Introduction: Facts (Trends, Concepts)

Cahuc, Carcillo and Zylberber, Chapter 1, section 1 and Chapter 9, section 1.

Blau, Francine D., and Lawrence M. Kahn. "Changes in the Labor Supply Behavior of Married Women: 1980–2000." *Journal of Labor Economics*, vol. 25, no. 3, 2007, pp. 393–438. *JSTOR*, www.jstor.org/stable/10.1086/513416. Accessed 29 Jan. 2021.

Labor Supply

Cahuc, Carcillo and Zylberber, Chapter 1, section 1.

Imbens, Guido W., Donald B. Rubin, Bruce Sacerdote (2001), "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players," *American Economic Review* 91, 778-94.

Card, David and Dean Hyslop (2005), "Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers," *Econometrica* 73(6), 1723–1770.

Camerer, C., L. Babcock, G. Loewenstein and R. Thaler (1997), "Labor Supply of New York City Cabdrivers: One Day at a Time," *Quarterly Journal of Economics* 112(2), 407-441.

Connolly, Marie (2008) "Here Comes the Rain Again: Weather and the Intertemporal Substitution of Leisure," *Journal of Labor Economics* 26(1), 73-100.

Farber, Henry S. (2015), "Why You Can't Find a Taxi in the Rain and Other Labor Supply Lessons from Cab Drivers" *The Quarterly Journal of Economics* 130 (4), 1975-2026.

Fehr, Ernst and Lorenz Goette (2007), "Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment," *American Economic Review* 97(1), 298-317.

Sheldon, Michael (2016), "Income Targeting and the Ridesharing Market," mimeo.

Martinez, Isabel, Emmanuel Saez and Michael Siegenthaler, (2018) "Intertemporal Labor Supply Substitution? Evidence from the Swiss Income Tax Holidays" NBER Working Paper No. 24634

Cesarini, David, Erik Lindqvist, Matthew J. Notowidigdo, and Robert Östling. 2017. "The Effect of Wealth on Individual and Household Labor Supply: Evidence from Swedish Lotteries." *American Economic Review*, 107 (12): 3917-46.

Goux, D., Maurin, E., & Petrongolo, B. (2014). Worktime Regulations and Spousal Labor Supply. *The American Economic Review*, 104(1), 252-276. Retrieved from <http://www.jstor.org/stable/42920694>

Labor Demand (+payroll taxes +minimum wages+ labor market equilibrium)

Cahuc, Carcillo and Zylberber, Chapter 2.

Hamermesh, Daniel, Labor Demand

Cengiz, Dube, Lindner, Zipperer, 2019: "The Effect of Minimum Wages on Low-Wage Jobs", *The Quarterly Journal of Economics*, Volume 134, Issue 3, August 2019, Pages 1405–1454

Hamermesh, Daniel and Stephen Trejo (2000) "The Demand for Hours of Labor: Direct Estimates from California," *Review of Economics and Statistics* 82, 38-47.

examples applications:

Harasztosi Peter and Attila Lindner (2019): "Who Pays for the Minimum Wage?" *American Economic Review* 2019, 109(8): 2693–2727

Card, David and Alan B. Krueger (1994), "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review* 84(4), 772-793.

Card, David and Alan B. Krueger (2000) "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Reply," *American Economic Review* 90(5), 1397-1420.

Saez, Emmanuel, Benjamin Schoefer, and David Seim. 2019. "Payroll Taxes, Firm Behavior, and Rent Sharing: Evidence from a Young Workers' Tax Cut in Sweden." *American Economic Review*, 109 (5): 1717-63.

Labor demand, example, minimum wages,

Job Search, Unemployment and Job Loss

Cahuc, Carcillo and Zylberber, Chapter 5 and Chapter 9 (sections 1-3)

Black, Dan, A., Jeffrey A. Smith, Mark C. Berger, and Brett J. Noel. 2003. "Is the Threat of Reemployment Services More Effective Than the Services Themselves? Evidence from Random Assignment in the UI System." *American Economic Review*, 93 (4): 1313-1327.

Fredriksson, Peter, Lena Hensvik, and Oskar Nordström Skans. (2018). "Mismatch of Talent: Evidence on Match Quality, Entry Wages, and Job Mobility." *American Economic Review*, 108 (11): 3303-38.

Michèle Belot, Philipp Kircher, Paul Muller, Providing Advice to Jobseekers at Low Cost: An Experimental Study on Online Advice, *The Review of Economic Studies*, Volume 86, Issue 4, July 2019, Pages 1411–1447, <https://doi.org/10.1093/restud/rdy059>

Job Loss

Jarosch: Gregor (2015) "Searching for Job Security and the Consequences of Job Loss," Kyrrä, T.

and H. Pesola (2020), The effects of unemployment benefit duration: Evidence from residual benefit duration,, *Labour Economics*, Volume 65, 2020, 101859, ISSN 0927-5371, <https://doi.org/10.1016/j.labeco.2020.101859>.

Rafael Lalive, Van Ours, J., & Zweimüller, J. (2006). How Changes in Financial Incentives Affect the Duration of Unemployment. *The Review of Economic Studies*, 73(4), 1009-1038. "

Rogerson, Richard, Robert Shimer, and Randall Wright. 2005. "Search-Theoretic Models of the Labor Market: A Survey." *Journal of Economic Literature*, 43 (4): 959-988.

Schmieder, von Wachter, Heining, "The Costs of Job Displacement over the Business Cycle and Its Sources: Evidence from Germany" *RR American Economic Review*

Schmieder, Johannes F., Till von Wachter, and Stefan Bender. (2016). "The Effect of Unemployment Benefits and Nonemployment Durations on Wages." *American Economic Review*, 106 (3): 739-77.

Davis and von Wachter, (2012) "Recessions and the Costs of Job Loss", Brooking papers of economic activity

Schmieder† Till von Wachter‡ Joerg Heining (2020), "The Costs of Job Displacement over the Business Cycle and Its Sources: Evidence from Germany"

Other: COVID-19 Crisis

Von Wachter (2021) "Lost Generations: Long-Term Effects of the Covid-19 Crisis on Job Losers and Labor Market Entrants and Policy Options", forthcoming Fiscal Studies

Oreopoulos, Philip, Till von Wachter, and Andrew Heisz. 2012. "The Short- and Long-Term Career Effects of Graduating in a Recession." *American Economic Journal: Applied Economics*, 4 (1): 1-29.

Active Labor Market Policies

Cahuc, Carcillo and Zylberber, Chapter 14.

David Card, Jochen Kluve, Andrea Weber, What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations, *Journal of the European Economic Association*, Volume 16, Issue 3, June 2018, Pages 894–931, <https://doi.org/10.1093/jeea/jvx028>

Female Labor Supply, Gender, Children, Family Policies

Goldin, 2006, "The 'Quiet Revolution' That Transformed Women's Employment, Education, and Family," AER (Ely Lecture)

Goldin, Mitchell , 2017, "The New Life Cycle of Women's Employment: Disappearing Humps, Sagging Middles, Expanding Tops", JEP 2017

Kleven Henrik, Camille Landais and Jakob Egholt Sogaard, (2019), "Children and Gender Inequality: Evidence from Denmark," *American Economic Journal: Applied Economics*, vol 11(4), pages 181-209.

Kleven et al. (2019): "Child Penalties across Countries: Evidence and Explanations", AEA Papers and Proceedings 2019, 109: 122–126

Kleven et al. (2020): "Do Family Policies Reduce Gender Inequality? Evidence from 60 Years of Policy Experimentation", working paper (http://econ.lse.ac.uk/staff/clandais/cgi-bin/Articles/Austria_Family_Policy.pdf)

Lundborg, Petter, Erik Plug, and Astrid Würtz Rasmussen. 2017. "Can Women Have Children and a Career? IV Evidence from IVF Treatments." *American Economic Review*, 107 (6): 1611-37.

Olivetti,. Petrongalo. "The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High Income Countries." *Journal of Economic Perspectives*, 2017

5. PRELIMINARY SCHEDULE

Please note that the dates on which material will be covered are approximate. Topics may take more or less time than I anticipate.

| Session | Date | Topic | Assignment Due Date |
|-----------|---|--|-------------------------------------|
| 1 | <u>Tuesday, 2</u> <u>March,</u> 10:15 » 12:00 | Introduction/Labor Supply | |
| 2 | <u>Thursday, 4</u> <u>March,</u> 10:15 » 12:00 | Labor Supply | A1 distributed |
| 3 | <u>Friday, 5</u> <u>March,</u> 10:15 » 12:00 | Exercises: Re-cap empirical methods | |
| 4 | <u>Tuesday, 9</u> <u>March,</u> 10:15 » 12:00 | Labor Supply | |
| 5 | <u>Thursday, 11</u> <u>March,</u> 10:15 » 12:00 | Labor Supply (Applications) | Deadline A1 , A2 distributed |
| 6 | <u>Friday, 12</u> <u>March,</u> 10:15 » 12:00 | H01 Exercises Discussion of Assignment 1 | A1 labor supply |
| 7 | <u>Tuesday, 16</u> <u>March,</u> 10:15 » 12:00 | Labor Demand | |
| 8 | <u>Thursday, 18</u> <u>March,</u> 10:15 » 12:00 | Labor Demand: Minimum wages | Deadline A2 , A3 distributed |
| 9 | <u>Friday, 19</u> <u>March,</u> 10:15 » 12:00 | H01 Exercises Discussion of Assignment 2 | A2 labor demand |
| 10 | <u>Tuesday, 23</u> <u>March</u> | Job Search | |
| 11 | <u>Thursday, 25</u> <u>March,</u> | Job Search/Job Loss | Deadline A3 |
| 12 | <u>Friday, 26</u> <u>March,</u> | H01 Exercises Discussion of Assignment 3 | A3 jo search |
| 13 | <u>Tuesday, 30</u> <u>March,</u> 10:15 » 12:00 | Job Loss | |
| 14 | <u>Thursday, 1</u> <u>April,</u> 10:15 » 12:00 | Gender, Wage Gap | A4 distributed |
| 15 | | Easter break | |

| Session | Date | Topic | Assignment Due Date |
|---------|--|--|---------------------|
| 16 | <u>Tuesday, 6 April,</u> 10:15 » 12:00 | Gender, Family Policies | |
| 17 | <u>Thursday, 8 April,</u> 10:15 » 12:00 | Wrap Up | Deadline A4 |
| 18 | <u>Friday, 9 April,</u> 10:15 » 12:00 | H01 Exercises Discussion of Assignments 4 | A4 gender |
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| Exam | <u>Tuesday, 13 April,</u> 09:00 » 12:00 | Labor Economics I (KT) Course examination | Online |
| Retake | | | |
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