

31E00700
Labor Economics I
Spring 2024

Schedule updated: April, 2024

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: T004 - T004, Ekonominaukio 1 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 reading is marked on bold (please note, these may

be updated). 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. "

<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.

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.

Verho, Jouko, Kari Hämäläinen, and Ohto Kanninen. 2022. "Removing Welfare Traps: Employment Responses in the Finnish Basic Income Experiment." *American Economic Journal: Economic Policy*, 14 (1): 501-22.

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.

Martínez, Isabel Z., Emmanuel Saez, and Michael Siegenthaler. 2021. "Intertemporal Labor Supply Substitution? Evidence from the Swiss Income Tax Holidays." *American Economic Review*, 111 (2): 506-46.

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

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.

Dustmann, C., Lindner, A., Schönberg, U., Umkehrer, M., & Vom Berge, P. (2022). Reallocation effects of the minimum wage. *The Quarterly Journal of Economics*, 137(1), 267-328.

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

Huttunen, K., Pirttilä, J. and Uusitalo, R., 2013. The employment effects of low-wage subsidies. *Journal of Public Economics*, 97, pp.49-60.

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.

Job Search, Unemployment benefits, Matching and Job Loss

Cahuc, Carcillo and Zylberber, Chapter 1.

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.

Chetty, Raj. “Moral Hazard versus Liquidity and Optimal Unemployment Insurance.” *Journal of Political Economy*, vol. 116, no. 2, 2008, pp. 173–234. JSTOR, <https://doi.org/10.1086/588585>. Accessed 14 Feb. 2023.

Lindner, Attila, and Balázs Reizer. 2020. "Front-Loading the Unemployment Benefit: An Empirical Assessment." *American Economic Journal: Applied Economics*, 12 (3): 140-74.

Nekoei, Arash, and Andrea Weber. 2017. "Does Extending Unemployment Benefits Improve Job Quality?" *American Economic Review*, 107 (2): 527-61.

Lalive, Rafael 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. "

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.

Petrongolo, Barbara, and Christopher A. Pissarides. 2001. "Looking into the Black Box: A Survey of the Matching Function." *Journal of Economic Literature*, 39 (2): 390-431.

Kyyrä, 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>.

Active Labor Market Policies (possible left out 2023)

Cahuc, Carcillo and Zylberber, Chapter 14.

David Card, Jochen Kluge, 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>

Household Labor Supply, Gender, Children, Family Policies

Cahuc, Carcillo and Zylberber, Chapter 14.

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.

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

Goldin, Claudia, and Joshua Mitchell. 2017. "The New Life Cycle of Women's Employment: Disappearing Humps, Sagging Middles, Expanding Tops." *Journal of Economic Perspectives*, 31 (1): 161-82.

Bertrand, Marianne, Emir Kamenica, and Jessica Pan. "Gender Identity and Relative Income within Households" *The Quarterly Journal of Economics*, Volume 130, Issue 2, May 2015, Pages 571–614

Zinovyeva, Natalia, and Maryna Tverdostup. 2021. "Gender Identity, Coworking Spouses, and Relative Income within Households." *American Economic Journal: Applied Economics*, 13 (4): 258-84.

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/clangais/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, Claudia, and Barbara Petrongolo. 2017. "The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries." *Journal of Economic Perspectives*, 31 (1): 205-30.

Andresen, Martin Eckhoff and Emily Nix. “What Causes the Child Penalty? Evidence from Adopting and Same-Sex Couples”. *Journal of Labor Economics* 2022 40:4, 971-1004

Andresen, Martin Eckhoff and Emily Nix. “Can the Child Penalty Be Reduced? Evaluating Multiple Policy Interventions.” Memo, 2022

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, 27</u> <u>March,</u> 10:15 » 12:00	Introduction/Labor Supply	
2	<u>Thursday, 1</u> <u>March,</u> 10:15 » 12:00	Labor Supply	
3	<u>Friday, 1</u> <u>March,</u> 10:15 » 12:00	No session	Assignment 1 (A1) distributed
4	<u>Tuesday, 5</u> <u>March,</u> 10:15 » 12:00	Labor Supply	
5	<u>Thursday, 7</u> <u>March,</u> 10:15 » 12:00	Labor Demand	
6	<u>Friday, 8</u> <u>March,</u> 10:15 » 12:00	<u>Exercises</u> Discussion of Assignment 1	Deadline A1, Friday 09:59 A2 distributed
7	<u>Tuesday, 12</u> <u>March,</u> 10:15 » 12:00	Labor Demand/Payroll taxes	
8	<u>Thursday, 14</u> <u>March,</u> 10:15 » 12:00	Labor Demand/Minimum wages	
9	<u>Friday, 15</u> <u>March,</u> 10:15 » 12:00	<u>Exercises</u> Discussion of Assignment 2	Deadline A2, Friday 09:59 A3 distributed
10	<u>Tuesday, 19</u> <u>March</u>	Job Search/Job Loss	
11	<u>Thursday, 21</u> <u>March,</u>	Job Search/Unemployment benefits	
12	<u>Friday, 22</u> <u>March,</u>	<u>Exercises</u> Discussion of Assignment 3	Deadline A3, Friday 09:59
13	<u>Tuesday, 26</u> <u>March,</u> 10:15 » 12:00	Matching, Active labor market policies (article; Crepon et al.)-lecture 8	

Session	Date	Topic	Assignment Due Date
	<u>Thursday, 28 March,</u> 10:15 » 12:00	<i>EASTER BREAK No class</i>	A4 distributed EASTER break
	<u>Friday, 29 March,</u> 10:15 » 12:00	<i>EASTER BREAK No class</i>	EASTER break
	<u>Tuesday, 2 April,</u> 10:15 » 12:00	<i>EASTER BREAK No class</i>	EASTER break
14	<u>Thursday, 4 April,</u> 10:15 » 12:00	Family labor supply, family policies	
15	<u>Friday, 5 April,</u> 10:15 » 12:00	<u>Exercises</u> Discussion of Assignment 4	Deadline A4 Note assignment session
16	Tuesday, Location: T004 March, 10:15 » 12:00	Fertility	NOTE schedule change
17	Wednesday March, 10:15 » 12:00	Wrap up	NOTE schedule change See location from mycourses!
	Friday, 12 April, 10:15 » 12:00 Exercises	<u>No session</u>	
Exam	<u>Tuesday, 16 April,</u> 09:00 » 12:00	Labor Economics I (KT) Course examination	