Econ 487: Topics in Labour Economics

Instructor: Stéphanie Lluis
Time & Place: M-W 11:30 to 12:50 in RCH 103
Office: Hagey Hall 239
Phone: 888-4567 ext 32960
Office Hours: Friday 9am-12am or by appointment

Readings: A list of articles related to the topics covered. Most of the articles are available online through the library's web site. The final reading list will be posted on UW-ACE during the first week of class.

                                    For a presentation of the basic concepts in labour economics:
Benjamin, D., M. Gunderson, T. Lemieux, and W.C. Riddell, Labour Market Economics (6th Edition), Toronto: McGraw-Hill Ryerson, 2007 or previous editions.

Prerequisites: Econ 301 and Econ 321 (or equivalent)
Econ 351 recommended

Course Objectives

The primary goal of this course is to introduce students to research in various topics in labour economics. More precisely, we will study research and policy questions related to the employment relationship and the mechanisms through which work is rewarded. After presenting the basic concepts, we will learn the methodological tools used to address the questions, discuss their strength and limitations and the relevance of the conclusions to business and policymakers. For each topic, we will see the associated seminal papers and more recent papers providing the latest findings on the issue studied. You will learn to recognize what makes a good paper, and you will gain an appreciation for some of the research being done in labour economics.

Student Responsibilities

Participation in Class: Students are expected to read the assigned material before class.

Readings: About every week or two, students will develop question based on the assigned readings for a given topic (one question per article assigned). The questions will be emailed to me no later than the Monday night of the week starting the new topic (first time will be Monday January 10). The questions should demonstrate that you have read the paper in detail enough to have a constructive comment and/or criticism and/or idea of alternative applications or modeling. You have to formulate the comment/criticism or idea as a question. As time permits, I will address the questions (anonymously) in class. The final reading list will be posted on UW-ACE during the first week of class.

Midterm Test: There will be a midterm test on Monday February 14th during class time. The test will consist of 2-3 questions related to the topics and articles seen so far.

Oral Presentation: Students will be expected to do a presentation in class. The presentation should last no more than 40 minutes and devote time for class discussion (for example 30-35 minutes summary and 5-10 minutes discussion). The quality of the presentation and the discussion raised will be rewarded. The presentation should come with a 5-page written report summarizing the article and your critical view of the paper. The presentations will be held in class on March 28th and March 30st.

Term Paper: You will be asked to write a paper developing a research outline on a question of your choice. The paper should outline the relevance of the question to policymakers and/or the business community, explain in details the empirical and/or theoretical framework of analysis needed to address the question. This includes reviewing the basic concept(s) the question refers to and the econometric issues that need to be addressed. The paper should also present the empirical findings in the literature emphasizing the remaining gaps, and outline the appropriate data for the study of the issue or the gaps in data. Information on datasets is available on the library web site at http://tdr.tug-libraries.on.ca/

The topic/question chosen and a first draft of the paper is due Wednesday March 16th.

End of Term Test: There will be a second and final test in class during the last day of the term (April 4th). The question pool for the test will be handed out the week before. No material will be allowed on the day of the test.

Grading

Email questions	10%
Midterm test	25%
Oral presentation	20%
Term Paper	20%
End of term test	25%

Topics and Events

1. Wage Determinants
     Education
     Implicit Contract
     Efficiency Wages
     Training

2. Pay Structure
     Sector, Firm and Job related Wage Differentials
     Methodological Issues
     Total Compensation including Nonwage Benefits

*Midterm on Monday February 14th

3. Performance Pay
     Theory of Incentives
     Empirical Approaches to Performance Pay

4. Gender and Race
     Measurement Issues
     Evidence on Hiring and Pay Discrimination

*First draft of Research Outline due March 16th.

5. Executive Pay
     Determinants of CEO Pay
     Stock Options
     Impact of Risk on Executive Compensation
*Oral presentations On March 28th and March 30st
*End of term Test on April 4th

Missed Exam

There is no make- up exam for the midterm test. The weight of the midterm test will be put on the end of term test (which will then count 50%). A student who has missed both the midterm and end of term tests will not be able to pass the class.

Avoidance of Academic Offenses

All students registered in the courses of the Faculty of Arts are expected to know what constitutes an academic offense, to avoid committing academic offenses, and to take responsibility for their academic actions. When the commission of an offense is established, disciplinary penalties will be imposed in accord with Policy #71, Student Academic Discipline. For information on categories of offenses and types of penalties, students are directed to consult the summary of Policy #71, Student Academic Discipline http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm. If you need help in learning how to avoid offenses such as plagiarism, cheating, and double submission, or if you need clarification of aspects of the discipline policy, ask your course instructor for guidance. Other resources regarding the discipline policy are the graduate advisor and the Associate Dean of Graduate Affairs. Students who believe that they have been wrongfully or unjustly penalized have the right to grieve; refer to Policy #70, Student Grievance http://www.adm.uwaterloo.ca/infosec/Policies/policy70.htm

Note for Students with Disabilities

The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.

Reading List for the First Topics[1]

1. Wage determinants

Human Capital

Weiss, A. "Human Capital versus Signaling Explanations of Wages", *Journal of Economic Perspectives* 9 (Fall 1995): 133-154.

Card, D. (1999). "The Causal Effect of Education on Earnings." Chapter 30 in Ashenfelter and Card editors, *Handbook of Labor Economics*, Volume 3A, pages 1801 to 1858.

Dale, S. and A. Krueger, 2002, "Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables". *Quarterly Journal of Economics*, vol 118(4), 1491-1528. Card

Efficiency Wages/Implicit Contracts

Yellen, J. (1984) "Efficiency Wage Models of Unemployment," *American Economic Review*, 74(2), 200-205.

Beaudry P. & DiNardo J. (1991) "The Effect of Implicit Contract on the Movement of Wages over the Business Cycle: Evidence from Micro Data", *Journal of Political Economy,* 99, 665-689.

Training

Parent, D. (1999) "Wages and Mobility: The Impact of Employer-Provided Training," *Journal of Labor Economics*, 17, 298-317.

Autor D. (2001) "Why Do Temporary Help Firms Provide Free General Skills Training", *Quarterly Journal of Economics*, November 2001, 1410-1447.

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[1] In the references below, AER stands for American Economic Review, QJE is Quarterly Journal of Economics, JPE is Journal of Political Economy, RESTUD is Review of Economic Studies, JOLE is for Journal of Labor Economics, ILRR is for Industrial and Labor Relations Review. Note also that some of the topics have many articles. Some of the articles I will only briefly mention.