

ECON 409
WORKERS, JOBS AND WAGES
Department of Economics
University of Waterloo
Winter 2020

Meetings

Lecture time: Monday, Wednesday and Friday, 10:30 – 11:20

Lecture location: EV3 4412

Instructor information

Instructor: Francisco M. Gonzalez

Office: Hagey Hall 130

Office hours: Monday and Wednesday, 11:30 – 12:30

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Course description

This is an advanced course in macroeconomics for undergraduate students. The objective of the course is to study the role of labor markets in the macro-economy. We begin with a discussion of key insights from the competitive framework traditionally used in labor economics. We then consider how departures from the ideal of perfect competition in a frictionless market can change in important ways how we think about macroeconomic outcomes in the labor market.

Evaluation

Student performance will be evaluated as follows:

Assignments: 20%

Midterm exam: 40%

Final exam: 40%

Detailed information about assignments will be provided in class. Late submission of assignments is not accepted, unless there are extenuating circumstances. The midterm exam will be held on February 14 in the class period and the room classes are held. Students are expected to write their midterm exam on the scheduled date. If a student misses the midterm exam and if there are extenuating circumstances, the weight of the midterm will be automatically transferred to the final exam.

Course outline

1. Competitive labor markets

We examine potential explanations of income inequality — compensating differentials, self-selection, technical change — from the perspective of traditional competitive models of the labor market.

Heckman, James, Lance Lochner and Petra Todd: “Fifty years of Mincer earnings regressions,” manuscript, University of Chicago, July 2001.

Roy, Andrew: “Some thoughts on the distribution of earnings,” *Oxford Economic Papers*, June 1951, 135-146.

Moretti, Enrico: “Local labor markets,” *Handbook of Labor Economics*, 2011, volume 4B, chapter 14, 1237-1313.

Acemoglu, Daron and David Autor: “Skills, tasks and technologies: implications for employment and earnings,” *Handbook of Labor Economics*, 2011, volume 4B, chapter 12, pages 1043-1171.

2. Efficiency wages

We use efficiency-wage models of the labor market to illustrate how labor market failure can interact with employment contracts to give rise to unequal labor market outcomes across equally productive workers.

Shapiro, Carl and Joseph Stiglitz: “Equilibrium unemployment as a worker discipline device,” *American Economic Review*, June 1984, pages 433-444.

Bulow, Jeremy and Lawrence Summers: “A theory of dual labor markets with applications to industrial policy, discrimination, and Keynesian unemployment,” *Journal of Labor Economics* July 1986, 376-414.

3. Search and Matching

We study the logic of macroeconomic search models, which allow for frictions in the matching process that brings together workers and employers, and their implications for inequality.

Shimer, Robert: “The cyclical behavior of equilibrium unemployment and vacancies,” *American Economic Review*, March 2005, 25-49.

Hornstein, Andreas, Per Krusell and Giovanni Violante: “Frictional wage dispersion in search models: a quantitative assessment,” *American Economic Review*, December 2011, 2873-2898.

4. Job Quality

We consider how labor market frictions can influence job quality.

Farber, Henry S.: “Job creation in the United States: good jobs or bad?”, Working paper # 385, Industrial Relations Section, Princeton University, July 1997.

Bernhardt, Annette and Sarah Thomason: “What Do We Know About Gig Work in California? An Analysis of Independent Contracting,” UC Berkely Labor Center, June, 2017.

Carrington, W.J. and B. Fallick (2017): “Why do earnings fall with job displacement?” *Industrial Relations* 56(4), 688-722.

Chen, Yu, Matthew Doyle and Francisco M. Gonzalez: “On the job search and job quality,” University of Waterloo, manuscript, July 2019.

Weekly schedule

Week 1 (Jan. 6, Jan 8, Jan. 10): introduction

Week 2 (Jan. 13, Jan. 15, Jan. 17): self-selection

Week 3 (Jan. 20, Jan. 22, Jan. 24): compensating differentials

Week 4 (Jan. 27, Jan. 29, Jan. 31): local labor markets

Week 5 (Feb. 3, Feb. 5, Feb. 7): skill premium

Week 6 (Feb. 10, Feb. 12, Feb. 14):

Feb. 10, Feb. 12: efficiency wages

Feb. 14: MIDTERM EXAM

Week 7 (Feb. 17, Feb. 19, Feb. 21):

Feb. 17: FAMILY DAY

Feb. 19, Feb. 21: READING WEEK

Week 8 (Feb. 24, Feb. 26, Feb. 28): dual labor markets

Week 9 (March 2, March 4, March 6): search and matching

Week 10 (March 9, March 11, March 13): unemployment fluctuations

Week 11 (March 16, March 18, March 20): wage dispersion

Week 12 (March 23, March 25, March 27): job quality

Week 13 (March 30, April 1, April 3): job ladders

Statements and links to be included on all course outlines:

[Economics Department Deferred Final Exam Policy](#)

Cross-listed course

Please note that a cross-listed course will count in all respective averages no matter under which rubric it has been taken. For example, a PHIL/PSCI cross-list will count in a Philosophy major average, even if the course was taken under the Political Science rubric.

Academic Integrity

Academic Integrity: In order to maintain a culture of academic integrity, members of the University of Waterloo are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity](#) webpage and the [Arts Academic Integrity](#) webpage for more information.

Discipline: A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to [Policy 71 - Student Discipline](#). For typical penalties check [Guidelines for the Assessment of Penalties](#).

Grievance: A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. [Read Policy 70 - Student Petitions and Grievances](#), Section 4. When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals: A decision made or penalty imposed under Policy 70 - Student Petitions and Grievances (other than a petition) or Policy 71 - Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72 - Student Appeals](#).

Accommodation for Students with Disabilities

Note for students with disabilities: [The AccessAbility Services office](#), located on the first floor of the Needles Hall extension (1401), 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 AS office at the beginning of each academic term.

If you are using Turnitin® in your course

Turnitin.com: Text matching software (Turnitin®) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. Students will be given an option if they do not want to have their assignment

screened by Turnitin®. In the first week of the term, details will be provided about arrangements and alternatives for the use of Turnitin® in this course.

Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin®. See [guidelines for instructors](#) for more information.

Outlines for ECON 101 and 102 must include the following statement:

It is the responsibility of students to ensure that they write exams in the location, date, and time assigned to their section. Students writing exams in the wrong section will be assessed a 20% penalty on the final exam grade. There will be no accommodation for possible differences in exam material or content.

(The above statement is also recommended for ECON 201, 206 and 207)

NEW – Recommended statements to be included on course outlines

Mental Health Support

All of us need a support system. The faculty and staff in Arts encourage students to seek out mental health supports if they are needed.

On Campus

- Counselling Services: counselling.services@uwaterloo.ca / 519-888-4567 ext 32655
- [MATES](#): one-to-one peer support program offered by Federation of Students (FEDS) and Counselling Services
- Health Services Emergency service: located across the creek from Student Life Centre

Off campus, 24/7

- [Good2Talk](#): Free confidential help line for post-secondary students. Phone: 1-866-925-5454
- Grand River Hospital: Emergency care for mental health crisis. Phone: 519-749-433 ext. 6880
- [Here 24/7](#): Mental Health and Crisis Service Team. Phone: 1-844-437-3247
- [OK2BME](#): set of support services for lesbian, gay, bisexual, transgender or questioning teens in Waterloo. Phone: 519-884-0000 extension 213

Full details can be found online at the Faculty of ARTS [website](#)

Download [UWaterloo and regional mental health resources \(PDF\)](#)

Download the [WatSafe](#) app to your phone to quickly access mental health support information

Territorial Acknowledgement

We acknowledge that we are living and working on the traditional territory of the Attawandaron (also known as Neutral), Anishinaabeg and Haudenosaunee peoples. The University of Waterloo is situated on the Haldimand Tract, the land promised to the Six Nations that includes six miles on each side of the Grand River.