

Labor Economics (Econ 4311W-DI)

FALL 2021

Instructor: Prof. Aaron Hedlund (hedlunda@missouri.edu – include “4311” in subject)

Time and Location: T, R 12:30pm – 1:45pm, Middlebush Hall 13

Office Hours: T, R 4:00pm – 5:30pm, 226 Professional Building

Canvas: <https://umsystem.instructure.com>

Dropbox Link: <https://www.dropbox.com/sh/hasg9rr9m5h0uq9/AAD5isQTTxyHl32FtQyALcEka?dl=0>

Final Exam: Thursday, December 16, 10:00am – 12:00pm

Overview and Objectives

Course Description

This course provides a detailed overview of modern theories and empirical analyses of the labor market. Topics include worker and firm behavior, wage determination, hiring practices, unemployment, and more. The course will familiarize you with some of the main data sources that are used to monitor the labor market and to guide policymaking deliberations. Beyond the specific topics that are covered, this course also aims to strengthen your grasp of economic methodology by deepening your economic intuition, problem-solving, data analysis, and writing skills.

Diversity Requirement

This course satisfies the diversity requirement by:

1. Intensively studying the causes and consequences of income inequality, wage differentials, discrimination in hiring practices, and unemployment.
2. Critically examining different perspectives on government policies aimed at ameliorating poverty, inequality, discrimination, and other social maladies that impact access to economic opportunities.
3. Investigating how alternative labor market arrangements across societies and over time affect economic outcomes for marginalized groups in the population.

Prerequisites and What to Expect

Throughout the course, we will regularly solve constrained optimization problems with multiple variables, solve systems of equations, and analyze the static and dynamic properties of different economic models. Sufficient preparation for this course includes intermediate microeconomics and a strong background in calculus.

The format will be predominantly lecture-based, but I encourage active participation and question-asking. Furthermore, we will have frequent in-class discussions, and I may occasionally ask individuals or groups to solve problems in front of the class. Given the difficulty of some of the material, working through problems together is an important ingredient to learning, but only if everybody brings an attitude of inquisitiveness, humility, and respect.

Resources

Required Text

The main course texts are *Labor Economics* by George Borjas and *Imperfect Labor Markets* by Tito Boeri and Jan van Ours, but I will regularly incorporate supplementary materials into lectures and class readings.

Assessment

Your course grade will consist of the following:

- Referee Report (2–3 pages, 2 drafts): 10%
- Policy Memos (3 memos, 3 pages each, 2 drafts): 45% (15% per memo)
- Midterm: 20%
- Final Exam: 25%
- Participation: 5% maximum bonus
- Problem Sets: *ungraded* (only for diagnostic and test preparation purposes)

Referee Reports You will select an academic research paper (subject to approval of the instructor) to referee as if you were reviewing it for potential publication in an economics journal. To do so, you will write a report that is 2–3 pages in length and divided into three

sections: 1) Summary, 2) Main Comments, and 3) Minor Comments. In the summary, you should describe the main research question the paper addresses, an overview of the methods, and the main takeaways. In the second section, you should provide a constructive critique of the paper. How compelling is the research question? Are the methods (theoretical model, empirical strategy, etc.) appropriate? What are some shortcomings? The last section is for any other non-central comments to improve the paper (e.g. writing or stylistic changes). You will receive feedback after the first draft of the referee report, after which point you should go back and make revisions to arrive at a second and final draft.

Policy Memos There will be three assigned policy memos for you to complete during the semester. These memos will follow a similar purpose and format to those used within the Executive Office of the President and in other areas of government to brief high-level officials on relevant information to guide their policy decision-making. In particular, each memo will focus on a specific policy (e.g. the minimum wage) or concern (e.g. long-term unemployment). The memo should begin with a high-level summary that contains the BLUF, i.e. the Bottom Line Up Front with no more than 5 bullet points. The remainder of the memo should provide any necessary background information, key data, and important takeaways (e.g. trends to be aware of, policy options, potential recommendations) with a high-level summary of the supporting analysis. The length of each memo should be approximately 3 pages. You will receive feedback after the first draft of each memo, after which point you should go back and revise the memo to arrive at a second and final draft. We will then have class discussions where you will have the opportunity individually and in groups to make your case.

Midterms There will be one midterm worth 20% of your semester grade. It may contain a range of question types (e.g. multiple-choice, discussion, problem solving, etc.). I will make reasonable efforts to accommodate students who know ahead of time that they will be absent (plus those with an unexpected and documented emergency) with a make-up exam, but otherwise, students who miss the test will have the 20% weight shifted to the final exam.

Final Exam The final exam will be cumulative and comprise 25% of your grade.

Participation The participation bonus will be based on evidence of your preparation and engagement with the material in class. Evidence of engaged learning includes consistent and timely arrival to class with demonstrated preparedness and meaningful contributions to class discussions done in an open, respectful, and inclusive manner.

Problem Sets Ungraded problem sets will facilitate self-monitoring and test preparation.

COVID-19 Accommodations You will always be provided multiple weeks' notice before the due date for referee reports or policy memos. No late papers will be accepted. As a result, if you are concerned about the possibility of contracting an illness, you should plan ahead and commence working well in advance of the due date. If you miss the midterm for any reason, the 20% weight will be shifted to the final exam (that is, the final will account for $25\% + 20\% = 45\%$ of your semester grade). If you miss the final exam due to an excused absence, you will receive an incomplete and we will schedule a make-up. The "MU Policies" section at the end of the syllabus provides additional details of university policies.

Grading Scale Semester grades will be based on a fixed grading scale, except that I reserve the right to curve exam grades *upward* in the event that a disproportionate fraction of the class does poorly. In other words, if you demonstrate a high degree of competence with the material, you will receive a high grade regardless of your relative rank in the class. There will be **no rounding** of semester grades.

The grading scale is as follows: A+ (97 – 100), A (93 – 96.99), A- (90 – 92.99), B+ (87 – 89.99), B (83 – 86.99), B- (80 – 82.99), C+ (77 – 79.99), C (73 – 76.99), C- (70 – 72.99), D+ (67 – 69.99), D (63 – 66.99), D- (60 – 62.99), F (<60).

Course Outline (Subject to Modification)

1. Preliminaries

- (a) Introduction (Borjas ch. 1)

2. Foundations

- (a) Labor Supply (Borjas ch. 2)
- (b) Labor Demand (Borjas ch. 3)
- (c) Competitive Equilibrium (Borjas ch. 4)

3. Applications and Extensions

- (a) Compensating Wage Differentials (Borjas ch. 5)
- (b) Human Capital (Borjas ch. 6)
- (c) Labor Mobility (Borjas ch. 8)

(d) Labor Market Discrimination (Borjas ch. 9)

MIDTERM

4. The Aggregate Labor Market

(a) The Wage Structure (Borjas ch. 7)

(b) Unemployment (Borjas ch. 12)

5. The Employment Relation

(a) Labor Unions (Borjas ch. 10)

(b) Incentive Pay (Borjas ch. 11)

6. FINAL EXAM: Thursday, December 16, 10:00am – 12:00pm

MU Policies

Information on MU policies related to COVID-19 mitigation; academic integrity; academic inquiry, course discussion, and privacy; FERPA; intellectual pluralism; netiquette; religious holidays and accommodations; nondiscrimination; and students with disabilities is here: <https://provost.missouri.edu/faculty-affairs/syllabus-information/>