EC339 Introduction to Labor Economics

Instructor Information	Lingli Xu Home Institution: Shanghai University Email: lingli.xu@t.shu.edu.cn Office Hours: Determined by Instructor		
Term	June 27, 2022 - July 22, 2022	**Credits**	4 units
Class Hours	Monday through Friday, 120 minutes per teaching day		
Discussion Sessions	2.5 hours each week, conducted by teaching assistant(s)		
Total Contact Hours	66 contact hours (1 contact hour = 45 mins, 3000 mins in total)		
Required Texts (with ISBN)	**Labor Economics 7ᵗʰ Edition by George Borjas** ISBN10: 007802188X ISBN13: 9780078021886 **Introductory Econometrics_A Modern Approach(Fifth Edition)，By Jeffrey M. Wooldridge**		
Prerequisite	Introductory level Microeconomics Fundamental Statistics Regression Analysis		

Course Overview

An introduction to the concept of the labor market, and the elements that distinguish it from commodity or other factor markets. The wage theory, human capital, labor mobility is discussed, as well as the effects of unions on labor markets and the economy as a whole. Economic statistics from China, United States and some other countries are applied to understand problems of the labor markets in those countries.

Course Goals

1. Understanding the fundamental tools for analyzing labor market
2. Applying labor demand and labor supply framework into real world contexts
3. Evaluating welfare tools for labor market e.g. unemployment benefits, minimum wage.
4. Estimating the returns to human capital (education, training or learning by doing)

Exams

The final exam is not carried out to assess learning outcomes of this unit. Instead, students are expected to conduct research using real world dataset and write a formal report with at least 3000 words in length. Whether this exercise should be completed independently or in a group depends on the class size and is ultimately decided by the instructor. The final marks are based on the quality of both final report and class presentation.

The following topics are encouraged but not limited to them. Other topics from students are upon approval from instructor:

1. The potential impact of COVID-19 on labor market of China (or other countries).
2. Evaluating the free cash gift in the US and its implications to unemployment during the pandemic of COVID-19.
3. The stricter border control between the US and Mexico, its potential labor market implications.
4. The relaxation of Hukou policy in first-tier cities and its effect on migrant workers' wage in mainland China.
5. Returns to attaining college in China (or other countries): its trend over the post-reform era.
6. Will education make our society more environmentally friendly?
7. (Gender) discrimination in China (or other countries).

Personal Strategic Plan

1. Explain the economic theory using real world context.
2. Avoid too much mathematical derivations.
3. Focus on real world implications and applications.
4. Apply the theory into practice with dataset.
5. Formal research training

Grading Policy

Attendance	10%
Participation	10%
Homework	10%
Group report	40%
Group presentaion	30%

Grading Scale

Number grade	Letter grade	GPA
90-100	A	4.0
85-89	A-	3.7
80-84	B+	3.3
75-79	B	3.0
70-74	B-	2.7
67-69	C+	2.3
65-66	C	2.0
62-64	C-	1.7
60-61	D	1.0
≤59	F (Failure)	0

Class Schedule

Date	Lecture	Readings
Day 1	**Basic ideas of _Labor Economics_** ● Its differences from general economics ● Agents within labor market Fundamental Framework of labor market analysis Concept of returns-to-education (With Regression Analysis)	Chapter 1 of **Borjas**
Day 2	**Labor Supply** ● Concept of labor participation rate (gender heterogeneity) ● Neo-classical model of labor-leisure choice ● Concept of utility function & indifference curve ● Budget Constraint & Optional decision ● Labor supply curve: its shape and elasticity ● Policy implications from what we have learned：Estimating labor demand curve using real-world dataset th	Chapter 2 of **Borjas** & See reading A
Day 3	**Labor Demand** ● Firms' production function ● Concept of Marginal Product & Average Product ● Profit Maximization behaviors of firms (Competitive market) ● Hiring Decision of firms ● Short-run labor demand curve ● Isoquant Curves & Isocost Curves: Cost Minimization ● Long run demand for labor	Chapter 3 of **Borjas**
Day 4	**Labor Market Equilibrium** ● Two market types: Monopsony & Monopoly ● Equilibrium in a single competitive labor market ● Market efficiency (Pareto efficiency) ● Open market (Wages and International Trade: NAFTA) ● International wage differences & convergence ● The impact on payroll tax assessed on workers (What China have done to stimulate labor market during the pandemic of COVID-19?) ● Immigration and its impact on domestic labor market	Chapter 4 of **Borjas**

Day 5	**Compensating Wage Differentials** ● Risk premiums (The market for risky jobs) ● Determining the market compensating differential ● Hedonic wage theory ● Policy Application: Safety and health regulation	Chapter 5 of **Borjas**
Day 6	**Human Capital** ● The most important form of human capital: Education ● The wage-schooling model (Mincerian equation) ● School quality and the rate of return to schooling	Chapter 6 of **Borjas**
Day 7	**Human Capital (Contiuous)** ● Estimating the rate of return to schooling ● Education or innate ability matters?	Chapter 6 of **Borjas** & See reading **B and** C
Day 8	**The Wage Structure** ● Why some workers earn more than others? The determinant of wage distribution ● Labor productivity ● Measuring Inequality: The Lorenz curve and the Gini coefficient	Chapter 7 of **Borjas**
Day 9	**The Wage Structure (Contiuous)** ● Why did wage inequality increase? ● Inequality across generations	Chapter 7 of **Borjas** & See reading D
Day 10	**Research training: preparing for the report & presentation.** ● Topic selection ● Data collection ● Literature review and online resources	Prepared by myself *Introductory Econometrics_A Modern Approach*(Fifth Edition)，By Jeffrey M. Wooldridge
Day 11	**Research training: preparing for the report & presentation.** ● Statistical tools (e.g. regression analysis) ● Structure of scientific reports ● Some writing tips	Prepared by myself *Introductory Econometrics_A Modern Approach*(Fifth Edition)，By Jeffrey M. Wooldridge
Day 12	**Research training: preparing for the report & presentation.** ● Regression analysis ● Cross-sectional or panel data estimation ● Estimation using STATA ● Explaining the regression output	Prepared by myself *Introductory Econometrics_A Modern Approach*(Fifth Edition)，By Jeffrey M. Wooldridge

Day 13	**Labor Mobility** ● Migration as an investment in human capital (non-education investment) ● Internal migration in the US versus in the context within China ● Migrant workers in China: Some stylized factors ● The Roy Model ● Policy application: economic benefits of migration	Chapter 8 of **Borjas** & See reading E
Day 14	**Labor Market Discrimination** ● Race and gender in the labor market ● The discrimination coefficient ● Employer discrimination ● Employee discrimination, customer discrimination and statistical discrimination. ● Measuring the impact of gender discrimination on the wage	Chapter 9 of **Borjas** & See reading F
Day 15	**Labor Unions** ● Unions in the US ● structure of American unions ● The demand for and supply of union jobs ● Policy application: unions and resource allocation ● Empirical facts on strike activity ● Union wage effects and the gap	Chapter 10 of **Borjas**
Day 16	**Incentive pay** ● Pay systems: Piece rates ● Bonuses, profit-sharing, and team incentives ● Policy application: Compensation of CEOs Policy application: incentive pay for teachers	Chapter 11 of **Borjas**
Day 17	**Unemployment** ● Structural unemployment & the rate of unemployment ● The sectoral shifts hypothesis ● Efficiency wages, minimum wage, and unemployment ● The determination of the efficiency wage The Phillips curve: The short-run and long-run Phillips curves	Chapter 12 of **Borjas** & See reading G
Day 18	**Presentation 1** **Q&A**	
Day 19	**Presentation 2** **Q&A**	
Day 20	**Presentation 3** **Q&A**	

Reading List:

A

Joshua D. Angrist and William N. Evans,Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size,The American Economic Review, 1998,Vol. 88, No. 3,450-477

B

Weiwei Ren, Paul W. Miller,Changes over time in the return to education in urban China: Conventional and ORU estimates,China Economic Review, 2012,23,154–169.

C

James J. Heckman,China's Investment in Human Capital, Economic Development and Cultural Change , 2003,Vol. 51, No. 4,795-804

D

Leiju Qiu , Daxuan Zhao,Urban inclusiveness and income inequality in China,Regional Science and Urban Economics,2019, 74,57–64

E

Lingli Xu, Liang Wang & Christian Nygaard, Locational decisions and subjective well-being: an empirical study of Chinese urban migrants, Applied Economics,Volume 54,Issue 27，2022，Pages 3180-3195. DOI: 10.1080/00036846.2021.2005237

F

Tianzhu Gu, Yueqing Ji,Beauty premium in China's labor market: Is discrimination the main reason?, China Economic Review,2019,Volume 57,101335

G

Kurt Mitman, Stanislav Rabinovich,Whether, when and how to extend unemployment benefits: Theory and application to COVID-19,Journal of Public Economics,2021,Volume 200,104447