

VICTORIA UNIVERSITY OF WELLINGTON  
*Faculty of Commerce and Administration*  
 School of Economics and Finance

**ECON 416**  
**LABOUR MARKETS**

COURSE OUTLINE 2005

**Lecturers:**

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*Motu Economic and Public Policy Research,*  
*Level 1, 93 Cuba St, PO Box 24390 Wellington.*  
*Phone: 939-4250*

**Content:**

This course provides an in-depth study of the labour market behaviour of workers, firms, and households.

**Prerequisites:**

- Econ 201 – Microeconomics
- Quan 201 – Introduction to Econometrics

**Timetable:**

First trimester, Tuesdays 3:40-5:30pm in Railway Station 127 Sessions will be a mixture of formal lectures and group discussion.

**Assessment:**

Class assignments and discussion: 5%  
*Participation in class discussions; Oral presentation to the class of one-page summaries of selected readings;*  
 Presentation should explain the a) research question, b) theoretical framework, c) empirical approach (data used, models estimated), d) results and e) questions raised (for example, were a, b and c reasonable and did author interpret the results in a correct and meaningful way).

Short assignments

15%

*There will be three short empirical assignments, requiring students to carry out descriptive and regression analyses of selected labour data. Stata is the recommended econometric software.*

## Long Assignments

40%

- *Literature review -topic to be provided (20%)*  
Prepare a critical review of the labour economics literature on a particular question (max 2500 words).
- *In-depth critical review of a specific paper - topic to be provided (20%)*  
Students should: (a) summarize the article, including its motivation, theoretical framework, critical assumptions, econometric methods used and main results; (b) critically assess the contribution of the paper; including the strengths and weaknesses of the paper's approach, appropriateness of theory, methods and data used, and whether the paper addresses an important issue and assessment of how convincing are the findings of the paper (max 2500 words).

Two-hour final examination:

40%

**Deadlines:**

*Short Assignment One: Descriptive statistics and Labour supply 22 March 2005*  
*Short Assignment Two: Human Capital Wage Equation 26 April 2005*  
*Short Assignment Three: Wage Equation with Panel data 10 May 2005*

*Long Assignment One: Literature Review 12 April 2005*  
*Long Assignment Two: Critical Review 24 May 2005*

Assignments handed in after the due date will incur a penalty of 1 point for every 24 hours that the assignment is overdue. (eg: for long assignments, 1 mark out of 20 will be deducted)

**Reading:**

A reading list is provided for each of the topics. Students will be expected to obtain copies of the relevant readings. For most topics, required reading will be one survey article and 2 or 3 other relevant articles.

**Background textbooks and reference books:**

The following books provide survey articles or introductions to the various topics. The first two references are highly recommended.

- G.J. Borjas *Labor Economics*, McGraw-Hill, (2<sup>nd</sup> ed. 2000)
- *Handbook of Labor Economics*. The latest volumes are volumes 3a, 3b and 3c edited by O. Ashenfelter and D. Card (North-Holland, 1999).
- The four volume set of books *Labor Economics*, edited by O.C. Ashenfelter and K.F. Hallock (Edward Elgar 1995) contains the most influential articles in the field until the mid 1990s.
- R.G. Ehrenberg and R.S. Smith *Modern Labor Economics*, Harper and Collins, (8<sup>th</sup> ed. 2002)
- Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA.

All major journals regularly publish articles on labour economics. There are also specialised journals on labour economics in the VUW library. There is no textbook specifically concerned with the New Zealand labour market.

### **Course Objectives**

By the end of the course, students should:

- 1) Have a thorough understanding of labour markets, including alternative theories, models and approaches to supply, demand and pricing of different types of labour.
- 2) Be able to apply this understanding to current issues in the international literature and with respect to the New Zealand labour market.
- 3) Have demonstrated this understanding and its application, particularly in written form (by means of formal analytical models or well argued and systematic discourse) and by oral presentation of this written work.

### **Summary of Topics**

- A) Introduction to Labour economics and empirical methods (1 class) [DM]
- B) Labour Demand (2 classes) [MV]
- C) Labour Supply (2 classes) [SS]
- D) Human Capital and earnings profiles (3 classes) [MV & DM]
- E) Group differences in labour market outcomes (2 classes) [SS & MV]
- F) Search, Unemployment, and labour market adjustment (2 classes) [MV & DM]

**1) A: Introduction to Labour economics and empirical methods [DM]  
22 Feb 2005**

General Approach

- Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Introduction
- Boyer, G. and Smith, R. (2000) The Development of the Neoclassical Tradition in Modern Labor Economics. *Industrial and Labor Relations Review*, **54(2)**, 199-223.
- Freeman, Richard "Program Report, NBER Labor Studies Program" [<http://www.nber.org/programs/lr/lr.html>]
- Kaufman, B. E. (2002) On the Neoclassical Tradition in Labor Economics. *Seminar Paper presented at IZA, 21 May 2002*, [<http://www.iza.org/iza/en/papers/kaufman210502.pdf>].

Empirical Methods and Methodology

- ® Angrist, J. D. and Krueger, A. B. (1999) Empirical Strategies in Labor Economics. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics: Volume III*, North Holland.
- Hamermesh, Daniel S (1999) The Art of Labormetrics. *NBER Working Paper*, 6927.
- Moffitt, R. A. (1999) New Developments in Econometric Methods for Labor Market Analysis. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics: Volume 3A*, North Holland, pp. 1367-1397.

Causal Inference – Evaluation

- Black, D. A., Berger, M. C., Noel, B. J. and Smith, J. A. (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
- ® Heckman, J. J., LaLonde, J. and Smith, J. (1999) The Economics and econometrics of active labor market programs. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics*, Vol. 3A Elsevier Science, Amsterdam.
- Bertrand, M., Duflo, E. and Mullainathan, S. (2002) How much should we trust difference in differences estimates? *NBER Working Paper*, 8841.
- Heckman, J. J. (2000) Microdata, heterogeneity and the evaluation of public policy. *Nobel Prize Lecture*, [<http://www.nobel.se/economics/laureates/2000/heckman-lecture.pdf>].
- Joshua D. Angrist, "Treatment Effect Heterogeneity in Theory and Practice" NBER Working Paper 9708 [W9708](http://www.nber.org/papers/w9708)
- Manski, C. (1995) *Identification Problems in the Social Sciences*, Harvard University Press, Cambridge, MA.

NZ

- Maré, D. (2002) The Impact of Employment Policy Interventions. *Labour Market Bulletin 2000-02 Special Issue*, 57-100

® = Required reading

(P) = Class presentation (for presentation in next class)

**2) B: Labour Demand (1/2): Basic Labour Demand [MV]**  
**1 March 2005**

Static Labour Demand Theory

Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 4

Marshall, A. (1920) *Principles of Economics (8th Edition)*, Macmillan and Co., Ltd, London.

® Hamermesh, D. S. (1986) The demand for labor in the long run. *Handbook of Labor Economics Vol I*, pp. 429-71.

--- (1993) *Labor Demand*, Princeton University Press, Princeton, Chapter 2.

Empirics

Hamermesh, D. S (1993) *Labor Demand*, Princeton University Press, Princeton, Chapter 3

Angrist, J. (1996) Short-Run Demand for Palestinian Labor. *Journal of Labor Economics*, 14(3), 425-53.

(P) Hamermesh, D. S. and Trejo, S. J. (2000) The demand for hours: Direct Evidence from California. *Review of Economics and Statistics*, 82, 38-47.

Dynamics of Labour Demand

Oi, W. (1962) Labour as a quasi-fixed factor. *Journal of Political Economy*, 70, 538-55.

Russel W. Cooper, John C. Haltiwanger, Jonathan Willis “Dynamics of Labor Demand: Evidence from Plant-level Observations and Aggregate Implications” *NBER Working Paper* 10297

® Hamermesh, D. S. and Pfann, G. A. (1996) Adjustment Costs in Factor Demand. *Journal of Economic Literature*, **34(3)**, 1264-92.

Nickell, S. J. (1986) Chapter 9: Dynamic Models of Labor Demand. In O. Ashenfelter and R. Layard (Eds.), *Handbook of Labor Economics Vol 1*, Elsevier, Amsterdam, pp. 3029-84.

® = Required reading

(P) = Class presentation (for presentation in next class)

**3) B: Labour Demand (2/2): Advanced Labour Demand [MV]  
8 March 2005**

Imperfect Competition

- (P) Black, S. and Strahan, P. (2001), "The Division of the Spoils: Rent-Sharing and Discrimination in a Regulated Industry," *American Economic Review* 91 (September), 914-31.
- Bhaskar, V., Manning, A. and To, T. (2003) Oligopsony and Monopsonistic Competition in Labor Markets. *Journal of Economic Perspectives*, 16(2), 155-74.
- Boal, W. M. and Ransom, M. R. (1997) Monopsony in the Labor Market. *Journal of Economic Literature*, **35(1)**, 86-112.
- Manning, A. (2003) The Real Thin Theory: Monopsony in Modern Labour Markets. *Labour Economics*, **10**, 105-31.
- Manning, A. (2003) *Monopsony in Motion*, Princeton University Press, Princeton.
- Scully, G. W. (1974) Pay and Performance in Major League Baseball. *American Economic Review*, **64:5**, 915-30.

Industry and firm-size premia

- Brown, C. and J. Medoff. 1989. "The Employer Size-Wage Effect," *Journal of Political Economy*, 97:1027-1059 (**JSTOR**)
- Main, B. and B. Reilly. 1993. "The Employer-Size Wage Gap: Evidence from Britain," *Economica*, 60:125-142 (**JSTOR**)
- Troske, K. 1999. "Evidence on the Employer Size-Wage Premium from Worker-Establishment Matched Data," *Review of Economics and Statistics*, 81:15-26
- C. Brown and Medoff, J.L. 2003. "Firm Age and Wages," *Journal of Labor Economics*, 21:677-698
- Katz, Lawrence F. and Lawrence H. Summers (1989), Industry Rents: Evidence and Implications, *Brookings Papers on Economic Activity (Microeconomics)*: 209-290.
- Krueger, Alan B. and Lawrence H. Summers (1987), "Reflection on the Inter-Industry Wage Structure," in Kevin Lange and Jonathan Leonard, *Unemployment and the Structure of Labor Markets*, Oxford, UK: Basil Blackburn.
- ® Oi, W. Y. and Idson, T. L. (1999) Firm Size and Wages. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics*, Vol. 3B, Chapter 33 Elsevier Science, Amsterdam, pp. 2166-2214.

® = Required reading

(P) = Class presentation (for presentation in next class)

**4) C: Labour Supply (1/2): Basic Labour Supply Behaviour [SS]  
15 March 2005**

Basic Theory and Estimation

® John Pencavel, "Labor Supply of Men: A Survey," *Handbook of Labor Economics*, Chapter 2, 1986.

Mark Killingsworth and James Heckman. "Female Labor Supply: A Survey" *Handbook of Labor Economics*, Chapter 2, 1986.

Deaton, A. And J. Muellbauer. *Economics and Consumer Behavior*. p.86-105 and p.273-87

Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 1

Heckman, J. J. (1993) What has been learned about labour supply in the past twenty years?

*American Economic Review*, 83, 116-121.

Killingsworth, M., *Labor supply*, Cambridge University Press, Cambridge, 1983

Women

® Thomas Mroz, "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," *Econometrica* 55 July 1987 765-800.

Heckman, J. "Sample Selection Bias as a Specification Error." *Econometrica*. 1979.

Costa, D. (2000). "From Mill Town to Board Room: The Rise of Women's Paid Labor" *Journal of Economic Perspectives*, 14.4:101-122.

Men

® Juhn, C. (1992), "The Decline of Male Labor Market Participation: The Role of Declining Market Opportunities", *Quarterly Journal of Economics*, 79-122.

Costa, D. "The Wage and the Length of the Working Day: From the 1890's to 1991". *Journal of Labor Economics* 18(1) (January 2000): 156-181.

New Zealand Evidence

(P) Dixon, Sylvia, "Labour Force Participation over the last ten years, " November, 1996, *Labour Market Bulletin*, Issue 1996:2.

Kalb, G. and Scutella, R. (2003) New Zealand Labour Supply from 1991-2001: An Analysis Based on a Discrete Choice Structural Utility Model. *NZ Treasury Working Paper*, 2003/23

Creedy, J. and Kalb, G. (2003) Discrete Hours Labour Supply Modelling: Specification, Estimation and Simulation. *NZ Treasury Working Paper*, 2003/20.

**Due 22 March 2005: Short Assignment One:      *Data summary and Labour supply***

® = Required reading

(P) = Class presentation (for presentation in next class)

**5) C: Labour Supply (2/2): Labour Supply in more complex situations [SS]  
22 March 2005**

Taxes

- Blundell and MaCurdy, "Labor Supply: A Review of Alternative Approaches" *Handbook of Labor Economics*, Vol. III
- ® Eissa, Nada and Jeffrey B. Liebman, 1996, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, May, 605-637.
- Moffitt. "The Econometrics of Kinked Budget Constraints." *Journal of Economic Perspectives* 1990.
- Blundell, R., A. Duncan, and C. Meghir (1998), "Estimation of Labour Supply Responses using Tax Policy Reforms," *Econometrica*, 66(4), 827-61.
- Eissa, Nada. "Taxation and Labor Supply of Married Women: The Tax Reform Act of 1986 as a Natural Experiment" *NBER Working Paper #W5023*, 1995.

Transfers

- ® Hoynes, H. "Welfare Transfers in 2-Parent Families: Labor Supply and Welfare Participation under AFDC-UP" *Econometrica*. 1996.
- (P) Grogger, Jeffrey, 2001, "The Effects of Time Limits and Other Policy Changes on Welfare Use, Work and Income Among Female-Headed Families," *NBER Working Paper #8153*.
- Meyer, Bruce D. and Dan T. Rosenbaum, 2000, "Making Single Mothers Work: Recent Tax and Welfare Policy and Its Effects," *NBER Working Paper #7491*, January.

Intertemporal Behavior

- ® Gerald Oettinger, "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors," *Journal of Political Economy*, 1999
- Thomas E. MaCurdy. "An Empirical Model of Labor Supply in a Life-Cycle Setting," *Journal of Political Economy* 89 December 1981: 1059-1085.
- Altonji, Joseph. (1986). "Intertemporal substitution in labor supply: Evidence from micro data," *Journal of Political Economy*, 94.3(Part 2), S176-215.
- Colin Camerer, Linda Babcock, George Loewenstein, and Richard Thaler. "Labor Supply of New York City Cabdrivers: One Day at a Time" *Quarterly Journal of Economics* 112 May 1997 407-41.
- H.S. Farber. (2003) "Is Tomorrow Another Day? The Labor Supply of New York Cab Drivers," *NBER Working Paper No. 9706*.

Households

- ® Stephens, Melvin, Jr. (2002). "Worker Displacement and the Added Worker Effect," *Journal of Labor Economics* 20:3, July: 504-537.
- Chiappori, P-A. (1992). Collective labor supply and welfare, *Journal of Political Economy*, June, 100:437-467.
- Lundberg, S. 1988. "Labor Supply of Husbands and Wives: A Simultaneous Equations Approach," *Review of Economics and Statistics*, 70:224-235

**MID TRIMESTER BREAK: No class on 29 March or 5 April**

**Due 12 April 2005: Long Assignment One: Literature Review**

® = Required reading

(P) = Class presentation (for presentation in next class)



**6) D: Human Capital and earnings profiles (1/3) [MV & DM]  
12 April 2005**

Human Capital Theory

- ® Ben-Porath, Y. (1967) The production of human capital and the life-cycle of earnings. *Journal of Political Economy*, **75**, 352-65.
- Becker, G. S. (1993) *Human Capital (3rd Edition)*, University of Chicago Press, Chicago.
- Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 2
- Mincer, J. (1997) The production of human capital and the life cycle of earnings: Variations on a theme. *Journal of Labor Economics*, **15(1)**, S26-47.

General and Specific Human Capital

- Lazear, E. P. (2003) Firm-Specific Human Capital: A Skill-Weights Approach. *NBER Working Paper*, 9679.
- Acemoglu, D. and Pischke, J.-S. (1998) Why do firms train? Theory and Evidence. *Quarterly Journal of Economics*, 79-119.
- Kletzer, L. G. (1998) Job Displacement. *Journal of Economic Perspectives*, 12(1), 115-36.

Human Capital Empirics

- ® Heckman, J. J., Lochner, L. J. and Todd, P. E. (2003) Fifty Years of Mincer Earnings Regressions. *NBER Working Paper*, 9732, Cambridge MA: NBER [Earlier version at <http://economics.uchicago.edu/download/econ311/Mincer/mincer345.pdf>].
- Hellerstein, Judith K, and Neumark, David (2004) "Production Function and Wage Equation Estimation with Heterogeneous Labor: Evidence from a New Matched Employer-Employee Data Set" NBER Working Paper [W10325](#)
- Polachek, S. and Siebert, W. S. (1993) *The Economics of Earnings*, Cambridge University Press, Cambridge.

Screening and Signalling

- ® Weiss, Andrew (1995) "Human Capital and Sorting models" *Journal of Economic Perspectives* 9(4) pp. 133-54.
- Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 2 Section 3
- Mas-Colell, A., Whinston, M. D. and Green, J. R. (1995) *Microeconomic Theory*, Oxford University Press, New York, Chapter 13

® = Required reading

(P) = Class presentation (for presentation in next class)

**7) D: Human Capital and earnings profiles (2/3) [MV & DM]  
19 April 2005**

Returns to Schooling

- ® Card, D. (1999) The causal effect of education on earnings. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics*, Vol. 3A, Chapter 30 Elsevier Science, Amsterdam, pp. 1801-1864.
- Gibson, J. (1998) *Ethnicity and Schooling in New Zealand: an Economic Analysis Using a Survey of Twins*, Institute of Policy Studies, Victoria University of Wellington, Wellington.
- Griliches, Z. (1977) Estimating the Returns to Schooling: Some Econometric Problems. *Econometrica*, **45(1)**, 1-22

School quality

- (P) Angrist, J. and Levy, V. (1999) Using Maimonides' rule to estimate the effect of class size on scholastic achievement. *Quarterly Journal of Economics*, **114:2**, 533-75.
- Federal Reserve Bank of New York (1998) Special Issue on 'Excellence in Education: Views on Improving American Education'. *Economic Policy Review*, **4(1)(March 1998)**.  
[<http://www.newyorkfed.org/research/epr/1998n1.html>; accessed 21 December 2004]
- Hanushek, E.A., 'Conclusions and Controversies about the Effectiveness of School Resources', *Economic Policy Review*, 4(1) New York: Federal Reserve Bank of New York, March 1998.
  - Krueger, A.B., 'Reassessing the View That American Schools Are Broken', *Economic Policy Review*, 4(1), New York: Federal Reserve Bank of New York, March 1998.
- Hanushek, E. A. (1999) The Evidence on Class Size. In S. E. Mayer and P. Peterson (Eds.), *Earning and Learning: How Schools Matter*, Brookings Institution, Washington, D.C, pp. 131-168. [<http://edpro.stanford.edu/Eah/papers/size.PDF>; accessed 21 December 2004]
- Hoxby, C. M. (2000) The effect of class size on student achievement: New evidence from natural population variation. *The Quarterly Journal of Economics*, (**115:4**), 1239-1285.
- Rivkin, S. G., Hanushek, E. A. and Kain, J. F. (2005) Teachers, schools and academic achievement. *Econometrica*, (**forthcoming**).  
[<http://edpro.stanford.edu/eah/papers/teachers.econometrica.PDF>; Accessed 21 December 2004]

Evaluating training programs

- Card, D. and Sullivan, D. G. (1988) Estimating the effects of subsidized training on movements into and out of employment. *Econometrica*, **56(3)**, 497-530.
- Dehejia, R. and Wahba, S. (1999) Causal Effects in Nonexperimental Studies: Reevaluating the Evaluation of Training Programs. *Journal of the American Statistical Association*, **94**, 1053-1062.
- ® Heckman, J. J., LaLonde, J. and Smith, J. (1999) The Economics and econometrics of active labor market programs. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics*, Vol. 3A Elsevier Science, Amsterdam.
- Heckman, J. J. and Hotz, V. J. (1989) Choosing among alternative nonexperimental methods for estimating the impact of social programs: The case of manpower training. *Journal of the American Statistical Association*, **84(408)**, 862-74.
- Lalonde, R. J. (1986) Evaluating the Econometric Evaluations of Training Programs with Experimental Data. *American Economic Review*, **76(September 1986)**, 604-20.
- Smith, J. and Todd, P. E. (2004) Does Matching Overcome LaLonde's Critique of Nonexperimental Estimators? *Journal of Econometrics*, **125(1-2)**, 305-353.  
[[http://www.glue.umd.edu/~jsmithz/papers/jeff\\_papers.htm](http://www.glue.umd.edu/~jsmithz/papers/jeff_papers.htm); accessed 21 December 2004]

® = Required reading

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**Due 26 April 2005: Short Assignment Two: Human Capital Wage Equation**

**8) D: Human Capital and earnings profiles (3/3) [MV & DM]  
26 April 2005**

Personnel Economics

- ® Lazear, E. P. (1999) Personnel Economics: Past Lessons and Future Directions. *Journal of Labor Economics*, **17(2)**, 199-236.  
 Lazear, E. P. 2000. "The Future of Personnel Economics," *Economic Journal*, 110:467  
 Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 6

Pay and incentives

- (P) Abowd, J. M. and D. S. Kaplan. 1999. "Executive Compensation: Six Questions That Need Answering," *Journal of Economic Perspectives*, 13:4, pp. 145-68.  
 Akerlof, George and Katz, Lawrence, "Workers' Trust Funds and the Logic of Wage Profiles," QJE, Aug. 1989  
 Eriksson, T. 1999. "Executive Compensation and Tournament Theory: Empirical Tests on Danish Data," *Journal of Labor Economics*, 17:2, pp. 262-280.  
 Lazear E. (2000) Performance pay and productivity, *American Economic Review*, 90, 1346-61  
 Lazear, E. P. and Rosen, S. (1981) Rank-Order Tournaments as Optimum Labor Contracts. *Journal of Political Economy*, **89**, 841-64.  
 Prendergast, C. 1999. "The Provision of Incentives in Firms," *Journal of Economic Literature*, 37:1, pp. 7-63.  
 Seltzer, Andrew, and David Merrett. 2000. "Personnel Policies at the Union Bank of Australia: Evidence from the 1888-1900 Entry Cohorts." *Journal of Labor Economics* 18: 573-613.  
 Shapiro, C. and J. E. Stiglitz. 1984. "Equilibrium Unemployment as a Worker Discipline Device," *American Economic Review*, 74:3, pp. 433-44.

® = Required reading

(P) = Class presentation (for presentation in next class)

**9) E: Group differences in labour market outcomes (1/2) [SS & MV]  
3 May 2005**

Why Do Differences Occur – Discrimination?

® Joseph Altonji and Rebecca Blank. “Race and Gender in the Labor Market” in *Handbook of Labor Economics*, Volume 3, eds. Orley Ashenfelter and David Card. Amsterdam: North-Holland, 1999.

Gary S. Becker. *The Economics of Discrimination*, 2nd ed., University of Chicago Press, 1971.

Shelly J. Lundberg and Richard Startz. “Private Discrimination and Social Intervention in Competitive Labor Markets,” *American Economic Review* 73 June 1983 340-347.

(P) P.A. Riach and J. Rich (2002), “Field Experiments of Discrimination in the Market Place,” *Economic Journal*, 112 (November), F480-F518.

David Autor’s lecture notes on discrimination:

[http://econ-www.mit.edu/faculty/download\\_appen.php?id=60](http://econ-www.mit.edu/faculty/download_appen.php?id=60)

Why Do Differences Occur – Compensating Differentials?

Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA. Chapter 5

Rosen, S. "The Theory of Equalizing Differences" in *Handbook of Labor Economics*, Vol. I, ed. by Ashenfelter and Layard (1986), Chapter 12.

Hae-shin Hwang, W. Robert Reed, and Carlton Hubbard. “Compensating Differentials and Unobserved Productivity” *Journal of Political Economy* 100 August 1992 835-858.

***Due 10 May 2005: Short Assignment Three: Wage Equation with Panel data***

® = Required reading

(P) = Class presentation (for presentation in next class)

**10) E: Group differences in labour market outcomes (2/2 classes) [SS & MV]****10 May 2005**Gender Differences

- Goldin, C. and Rouse, C. (2000) Orchestrating Impartiality: The Impact of blind auditions on the sex composition of orchestras. *American Economic Review*, 90(4), 715-41.
- J. Hellerstein, D. Neumark and K. Troske (1999), "Wages, Productivity, and Worker Characteristics: Evidence from Plant-Level Production Functions and Wage Equations, " *Journal of Labor Economics* 17 (July), 409-446.
- Oaxaca, Ronald. "Male-Female Wage Differentials in Urban Labor Markets," *International Economic Review*, October 1973.
- Francine D. Blau and Lawrence M. Kahn. "Trends in the Gender Wage Differential in the 1980s." *Journal of Labor Economics*, 15 (1997), 1-42.
- Gronau, R. (1988) "Sex-Related Wage Differentials and Women's Interrupted Labor Careers — The Chicken or the Egg," *Journal of Labor Economics*. 6:3.

Ethnic/Racial Differences

- Neal, Derek, and William Johnson. "The Role of Pre-market Factors in Black-White Wage Differences" *Journal of Political Economy* 104 1996 869-95.
- Bertrand, M. and Mullainathan, S. (2003) Are Emily and Greg more employable than Latisha and Jamal? A field experiment on labor market discrimination. *NBER Working Paper*, 9873.
- Carrington, William and Kenneth Troske. "Interfirm Segregation and the Black/White Wage Gap," *Journal of Labor Economics*, April 1998.
- K. Chay (1998), "The Impact of Federal Civil Rights Policy on Black Economic Progress: Evidence from the Equal Employment Opportunity Act of 1972, *ILRR*, July.
- H. Holzer and D. Neumark (2000), "Assessing Affirmative Action," *JEL* 38 (Sept), 483-568.

® = Required reading

(P) = Class presentation (for presentation in next class)

**11) F: Search, Unemployment, and labour market adjustment (1/2) [MV & DM]  
17 May 2005**

Worker turnover

Farber, H. S. (1999) Mobility and Stability: The Dynamics of Job change in Labor Markets. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labor Economics, Vol 3B*, Elsevier, Amsterdam, pp. 2439-2484.

(P) Neal, D. (1999) The complexity of job mobility among young men. *Journal of Labor Economics*, **17(2)**, 237-261.

Topel, R. H. and Ward, M. (1992) Job Mobility and the Careers of Young Men. *Quarterly Journal of Economics*, **107**, 441-79

Job Search

Mortensen, D. T. (1986) Job Search and Labor Market Analysis. *Handbook of Labor Economics*, **2**, 849-919.

® Stigler, G. J. 1962. "Information in the Labor Market," *Journal of Political Economy*, 70:5 Pt 2, pp. 94-105.

New Zealand Evidence

Callister, P. (1997) Trend in Employee Tenure, Turnover and Work Scheduling Patterns: A Review of the Empirical Research Evidence. *Occasional Paper*, 1997/1, Wellington: Labour Market Policy Group, Department of Labour.

Carroll, N., Hyslop, D. R., Maré, D. C., Timmins, J. and Wood, J. (2002) An Analysis of New Zealand's Business Demography Database. *New Zealand Economic Papers*, **36(1)**, 59-62.

***Due 24 May 2005: Long Assignment Two: Critical Review***

® = Required reading

(P) = Class presentation (for presentation in next class)

**12) F: Search, Unemployment, and labour market adjustment (2/2) [MV & DM]  
24 May 2005**

Equilibrium Unemployment / Matching Model

® Petrongolo, B. and Pissarides, C. A. (2001) Looking into the black box: A survey of the matching function. *Journal of Economic Literature*, **39**, 390-431

Pissarides, C. A. 2000. *Equilibrium Unemployment Theory, Second Edition*, Cambridge MA: MIT Press.

Berman, E. 1997. "Help Wanted, Job Needed: Estimates of a Matching Function from Employment Service Data," *Journal of Labor Economics*, 15:1 pt 2, pp. S251-S292.

Mortensen, D. T. and C. A. Pissarides. 1994. "Job Creation and Job Destruction in the Theory of Unemployment," *Review of Economic Studies*, 61:3, pp. 397-415.

Cahuc, P. and Zylberberg, A. (2004) *Labor Economics*, MIT Press, Cambridge, MA Chapter 3

Job Creation and destruction

® Davis, S. J. and Haltiwanger, J. C. (1999) Gross Job Flows. In O. Ashenfelter and D. Card (Eds.), *Handbook of Labour Economics, Volume 3*, Elsevier Science, Amsterdam.

Haltiwanger, J. C., Lane, J. and Spletzer, J. (2000) Wages, Productivity, and the Dynamic Interaction of Businesses and Workers. *NBER Working Paper*, **7994**.

Foster, L., Haltiwanger, J. C. and Krizan, C. J. (1997) Aggregate Employment Dynamics: Building from Microeconomic Evidence. *American Economic Review*, **87(1)**, 115-37.

Abowd, J. M., Haltiwanger, J. C., Jarmin, R., Lane, J., Lengermann, P., McCue, K., McKinney, K. and Sandusky, K. (2002) The Relation among Human Capital, Productivity and Market Value: Building Up from Micro Evidence. *LEHD Technical Working Paper*, 2002-14: US Census Bureau [<http://www.lehd-test.net/papers/abstract.php?tp=tp-2002-14.pdf>]

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### **General University policies and statutes**

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

### **Student Conduct and Staff Conduct**

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: [www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct). The policy on Staff Conduct can be found on the VUW website at: [www.vuw.ac.nz/policy/StaffConduct](http://www.vuw.ac.nz/policy/StaffConduct).

### **Academic Grievances**

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

[www.vuw.ac.nz/policy/AcademicGrievances](http://www.vuw.ac.nz/policy/AcademicGrievances).

### **Plagiarism**

Victoria University defines plagiarism as the copying of ideas, organisation, wording or anything else from another source without appropriate reference or acknowledgement so that it appears to be one's own work. This includes published and unpublished work, the Internet and the work of other students and staff. Plagiarism is an example of misconduct in the Statute of Student Conduct. Students who have plagiarised are subject to a range of penalties under the Statute. See the website:

[www.vuw.ac.nz/policy/StudentConduct](http://www.vuw.ac.nz/policy/StudentConduct).

### **Students with Disabilities**

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: [disability@vuw.ac.nz](mailto:disability@vuw.ac.nz). The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

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