

**Labor Economics 233**

**Professor Ken Burdett**

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**Office hours Tuesday 12.30-2.00 pm**

The objective of the course is to present the basic elements of modern labor economics. In particular, I plan to present the basic tools (models) of modern labor economics) and show how they are used in policy analysis and empirical work. The textbook I will use is **Labor Economics** (5<sup>th</sup> edition) by George Borjas (McGraw-Hill Irwin). We shall pretty much work through the book. I will go through the two most important chapters (2 and 3) at a slower rate than the others.

The course evaluation will be as follows.

- (a) There will be two midterm examinations (30% each).
- (b) There will be three take home examinations (10% each).
- (c) There will be a five to six page essay (10%).
- (d) THERE IS NO FINAL.

I will expect students to know the what is in the relevant chapters. I will lecture on those elements of the chapters that I think students may have difficulties with. Those things not covered in lectures are important and questions can be asked on them.

The lectures will be roughly be as follows:

**January, 2011**

- 10 Introduction and course outline
- 12 Labor Supply. Some labor supply facts. The basic labor/leisure model
- 17 Labor Supply. Derivation of labor supply. Income and substitution effect. Elasticities
- 19 Labor supply: Policy applications
- 24 Labor Demand. The production function and the employment decision in the short run
- 26 Labor Demand. The labor demand in the long run. Elasticity of Substitution. Elasticities
- 31 Labor Demand. factor demand with many inputs. The minimum wage.

**February**

- 2 Labor market equilibrium (in the short run). Payroll taxes. Mandated benefits. **(first take-home handed out in class).**
- 7 Labor market equilibrium. Immigration. Comparative advantage. Absolute advantage. **(first take-home handed back in class)**
- 9 Compensating wage differentials. Risky jobs. The hedonic wage function. Job amenities
- 14 Compensating wage differentials. Policy. Health insurance and the labor market
- 16 **First midterm examination**
- 21 Human capital: Education and the labor market. Present value. The rate of return
- 23 Human capital. Policy analysis. The signaling model.
- 28 Wage structure. The distribution of earnings. Measuring inequality.

## March

- 1 Wage structure. Why has inequality changed. Earning of the rich. Intergenerational inequality.
- 6 Spring Break
- 8 Spring Break
- 13 Labor Mobility. Migration. The facts. Who moves?
- 15 Labor mobility. Job turnover. Matching. Specific and general training. Age-earning profile. **(second-take-home handed out in class)**
- 20 Discrimination. Types of discrimination. Measuring discrimination. A taste for discrimination. **(second take-home handed back in class)**
- 22 Statistical discrimination. The economics of discrimination.
- 27 Labor Unions. The facts. Monopoly unions. Efficient bargaining.
- 29 Labor Unions. Strikes. The public sector
- 31 Incentive pay schemes. Piece rates and time rates. Tournament.

## April

- 3 Incentive pay schemes. Efficiency wages. Principle-agent model.
- 5 Unemployment. The facts. The types of unemployment. The search model. . **(3<sup>rd</sup> take-home handed out in class)**
- 10 Unemployment. Flows and stocks. The steady-state model. . **(3<sup>rd</sup> take home returned in class)**
- 12 Job Search **(Essay returned in class)**
- 17 The Phillips curve
- 19 Review.
- 24 Second Mid-term