

**The University of British Columbia**  
Vancouver School of Economics

Economics 460: Economics of Labour Markets

Professor Nicole M. Fortin

Fall 2020  
Tues, Thurs 11:00-12:30  
Iona 633

***Syllabus***

Course web site on Canvas: <https://canvas.ubc.ca/courses/53751>

COVID-19 Adaptation:

This course may be modified as required to meet the UBC policies regarding adaptation to the the pandemic, including no in-person meetings, if required

I. Course Description

This course is an introduction to the Economics of the Labour Markets, which studies the relationship between workers and firms. The course will cover four broad themes: 1) labour supply, 2) labour demand and labour market equilibrium, 3) wage determination and wage inequality, 4) wage differentials across groups and labour market discrimination. Public policies affecting labour market outcomes will be discussed through the course, including the impact of recent measures associated with the COVID-19 pandemic or with the worldwide Black Lives Matters movement of 2020. How should governments manage health crises and recessions? What are the economic consequences of discrimination? Empirical evaluations of impacts on the labour market will be discussed throughout the course, such as the impact of income subsidies on labour supply, the effects of minimum wages on labour demand, the impact of immigration on local labour markets, the effects of discrimination on educational attainment and labour market outcomes of members of minority groups. An outline of specific topics is given below.

Labour Economics is in large part about measurement. By the nature of the material, this 3-credit course directed at fourth-year undergraduate Economics students is fairly statistical and quantitative. It is thus assumed that you are comfortable with the mathematical methods covered in intermediate micro- and macro classes and that you are familiar with the basics of Statistics and Econometrics at the level of Econ 325 (Econ 327) and Econ 326 (Econ 328).

II. Contact Information and Office Hours

The following consultation times with the instructor are provided exclusively for the students in this course:

Nicole Fortin, East Wing Office 202: Mondays, 1:30-3:30PM

For other arrangements, please contact the instructor immediately after class or inquire by e-mail at [nicole.fortin@ubc.ca](mailto:nicole.fortin@ubc.ca). Students can expect a turn-around of 24 hours or less on weekdays. In the event of on-line only instructions, the meetings will be conducted via Zoom meetings platform.

### III. Expected Schedule of Topics

This *tentative* schedule will be modified to follow the progression of the class. I will evaluate the progression of the class using your informal feedback, as well as analytics coming from Top Hat and and CANVAS. Topics may take more or less time than I anticipate, and I may decide to change the order in which we address various topics. Mid-term exams will cover material that has been covered in the actual lectures regardless of whether we are ahead of or behind the projected schedule. Detailed information on the required readings for the tests will be posted on the CANVAS course web site.

	Topics	Important Dates
<b>Introduction</b>		
Week 1 - Sept 10	Class organization and Introduction to Labour Market Economics	
<b>PART ONE: Labour Supply</b>		
Week 2 - Sept 15/17	Individual Attachment to the Labour Market	Quiz#1: Sept 17
Week 3 - Sept 22/24	Work Incentive Effects of Alternative Income Maintenance Schemes	
<b>PART TWO: Labour Demand and Labour Market Equilibrium</b>		
Week 4 – Sept 29/Oct 1	Demand for Labour under Perfect and Imperfect Competition	Empirical Assignment #1: Due Date Sept 29 Quiz#2: Oct 1
Week 5 – Oct 6/8	Labour Market Equilibrium	
Week 6 – Oct 13/15	Impacts of Minimum Wages on Employment	Quiz #3: Oct 15
Week 7 – Oct 20/22	Impacts of Immigration on Labour Markets	
Week 8 – Oct 27/29	Unemployment	Mid-Term: Oct 27
<b>PART THREE: The Determination of Relative Wages</b>		
Week 9 – Nov 3/5	Human Capital Model: Investment in Education	Empirical Assignment #2: Due Date Nov 3
Week 10 – Nov 10/12	Wage Inequality and the Rise of Skill Premium	Quiz#4: Nov 12
<b>PART FOUR: Wage Differentials across Groups and Discrimination</b>		
Week 11 – Nov 17/19	Theories of Discrimination	
Week 12 – Nov 24/26	Racial and Ethnic Differentials	Quiz #5: Nov 26
Week 13 – Dec 1/3	Gender Inequality	Empirical Assignment #3: Due Date Dec 1

### IV. Learning Activities and Outcomes

The class will appeal to several types of learning activities.

#### 1. Lectures

- The instructor will cover the material on substantive economic issues and analytical tools in twice-weekly lectures
  - Students will be prompted to reflect on some questions that assess their understanding and share answers to the class using Top Hat (see course web site on to register)
  - Students' reading of discussion journal articles prior to class will prepare them for additional in-class engagement
2. Reading Assignments
    - The students will test their understanding of the material in quasi- bi-weekly quizzes, which will also serve as preparation to the exams
  3. Empirical Assignments
    - The students will sharpen their skills with empirical methods in the context of 3 empirical assignments done in groups of maximum 3 students

As a result of these learning activities, the students will know how to implement the analytical tools used in policy discussions surrounding labour market policies, understand their strengths and limitations. This will enhance their ability to critically assess the writings of academics and practitioners on these issues and to understand the strengths and weaknesses of some of the proposed solutions.

#### V. Assessment of Learning

The assessment of learning will comprise several components, weighted as follows:

1. Incoming Survey:	1%
2. Class Participation (Top Hat)	6%
3. On-line Quizzes (5)	15%
4. Empirical Assignments (3):	18%
5. Mid-Term Exam:	25%
6. Final Exam:	35%

Before the beginning of classes, students are asked to complete an incoming survey concerning their background, econometric software skills, and interest in topics pertaining to the class. Students should register in the Top Hat platform before the beginning of classes; it is free to register for this class.

During regular classes, students will be asked to answer 2-3 questions on the Top Hat platform. The responses will carry different weights for correctness and participation as indicated in the questions. Students who experience issues with their devices or miss some classes for one reason or another will be able to answer the Top Hat questions as homework, but will receive 50% of the points.

Students will be asked to complete at home five (5) on-line quizzes on the textbook and class material. The short questions from these six quizzes will offer a good preparation for the exams, which will combine short questions with a few longer analytical questions. The quizzes will be posted on the Thursday and you will have one (1) hour to complete them within the next 24 hours. The correct answers and your score on these quizzes will be posted on CANVAS only after the quizzes have closed.

The Empirical assignments will teach you econometric software (STATA) skills needed to compute and evaluate labour market outcomes. Groups of a maximum of 3 students can hand in a single assignment for the group. You are encouraged to use STATA given that the data and some templates for the exercise will be available on CANVAS. Students proficient in other econometric software (such as R) will be able to use it on their own.

The Midterm and Final exams will comprise a set of short questions, similar to those asked in the quizzes, and a set of longer analytical questions. The short questions are intended to test your overall knowledge of subject matter and conceptual understanding of labour economics models covered in the lectures. The longer questions will test your understanding of the assigned readings and the ability to apply such understanding, as well as that of the key economic concepts to new material, for example, interpretation of tables and graphs.

### **Academic Integrity**

As usual, there is a policy of zero tolerance towards academic dishonesty. The minimum penalty for any incident of academic dishonesty will be an automatic grade of zero in the relevant course requirement. At my sole discretion, you may have additional marks subtracted from your class grade, receive a grade of zero in the course, and be reported to the faculty for further disciplinary action.

### **Dispute Resolution, Missed Assignments, Mid-Terms or Exams**

Students who would like the grader to review their assignments or exams should direct their questions in writing to the grader first. If they are unable to resolve the dispute, the dispute should be directed to the instructor. Students who miss a quiz under valid grounds for [Academic Concessions](#), will see the weight of that quiz transferred to the other quizzes. Students who miss the midterm exam under valid grounds for [Academic Concessions](#), will see the weight of that exam apply to the final exam. There will be no remake quizzes or differed mid-term exams. Students must contact me via email as soon as they are aware they may need an in-term concession. Please include a Student Self-Declaration form, found on the [Arts Advising website](#). Students requiring a second concession must make their request to Faculty Advising Office. Students will not be allowed to miss the final exam for travel reasons. Students who experience ongoing medical and/or learning difficulties should register with [Centre for Accessibility](#) to get academic accommodations and other supports at UBC. The Center also handles differed final exams.

### **University Policies**

UBC provides resources to support student learning and to maintain healthy lifestyles but recognizes that sometimes crises arise and so there are additional resources to access including those for survivors of sexual violence. UBC values respect for the person and ideas of all members of the academic community. Harassment and discrimination are not tolerated nor is suppression of academic freedom. UBC provides appropriate accommodation for students with disabilities and for religious observances. UBC values academic honesty and students are expected to acknowledge the ideas generated by others and to uphold the highest academic standards in all of their actions.

Details of the policies and how to access support are available on [the UBC Senate website](#).

## VI. Textbook and Readings

The required textbook for this course is available as e-book/loose leafs or hardcover, through [McGraw-Hill Connect](#):

Dwayne Benjamin, Morley Gunderson, Thomas Lemieux and Craig Riddell, *Labour Market Economics*, McGraw-Hill-Ryerson, 8<sup>th</sup> edition, 2017.

This textbook is co-authored by two of the VSE renowned labour economists, Thomas Lemieux and Craig Riddell, and includes empirical examples drawing on Canadian data. Earlier editions are likely fine, although they include less up to date statistics. The textbook will be supplemented by material from U.S. textbooks as needed,

Borjas, George J., and Jan C. Van Ours. *Labor Economics*. Boston: McGraw-Hill/Irwin, 6<sup>th</sup> Edition, 2013.

Ehrenberg, Ronald G., and Robert S. Smith. *Modern Labor Economics: Theory and Public Policy*. Routledge, 13<sup>th</sup> edition, 2017.

Journal articles and working papers focusing on a particular topic will provide recent updates on current issues. The reading list below also include additional optional advanced and more in depth readings denoted by the dagger † ; they are offered as a guide to the literature for students wishing to pursue the topics in greater details.

Most of the readings are available in electronic form with UBC links using [Google scholar](#) for example. If you are connecting from off-campus you may need to use the UBC Library EZproxy server: <https://login.ezproxy.library.ubc.ca/login>. Additional information will be posted on the course website.

The material students are responsible for will be summarized in the lecture notes. Students are responsible for downloading the course lecture slides and other material in a timely fashion. The material may no longer be available after the end of the term.

The course will involve the use of applied econometrics techniques, and students must learn and use a sophisticated statistical software package. STATA will be the only package supported by the instructor. It is a powerful econometrics package and a still popular choice among economists, despite being relatively old.

Personal version of STATA can be purchased and installed on your own computer. Students can purchase STATA 16 at discounted prices. There are several different types of STATA licenses for students. You may consider buying a six-month or an annual license of STATA/IC. Perpetual licenses are also available. “Small Stata,” on the other hand, is unlikely to suffice. However, older versions of STATA are likely to suffice.

There are also several textbooks for applied econometrics using Stata:

[Adkins, Lee C. and R. Carter Hill, “Using STATA for Principles of Econometrics” 5th edition, Hoboken, NJ: John Wiley & Sons, 2018 \(written for STATA 15\). \(E-book rentals and earlier versions are available at lower prices.\)](#)

Baum, Christopher F. “An Introduction to Modern Econometrics Using Stata,” Stata Press, 2006.

An important advantage of Stata for new users that can be used with a point-click system or a command line one to issue the commands you need. There are several tutorials available on the Stata You-Tube channel (links posted on the course web site).

While it is NOT supported by the instructor, students who have more coding experience might be interested in R as a more cumbersome, but otherwise excellent low-cost (i.e., “free”) alternative to STATA (links posted on the course web site).

## VII. Reading List

Note: It is likely that the list of the readings below will be modified to follow the progression and needs of students. Other links to news or opinion articles and reports will be posted on the CANVAS Reading List page.

### 1. Introduction to Labour Market Economics

Benjamin et al. Chap. 1 (Review appendices 1-A and 1-B if needed)

† Boyer, George R., and Robert S. Smith. (2001) [The development of the neoclassical tradition in labor economics](#). *ILR Review* 54, no. 2: 199-223.

## **PART ONE: Labour Supply**

### 2. Labour Supply: Individual Attachment to the Labour Market

Benjamin et al. Chap. 2

† Chen, M. Keith, Peter E. Rossi, Judith A. Chevalier, and Emily Oehlsen (2019). [The value of flexible work: Evidence from Uber drivers](#). *Journal of Political Economy* 127, no. 6: 2735-2794.

### 3. Labour Supply and Public Policy: Work Incentive Effects of Alternative Income Maintenance Schemes

Benjamin et al. Chap. 3

Impact of Income Maintenance Programs: CERB and Universal Basic Income

† Francese, Maura and Delphine Prady (2018) [What Is Universal Basic Income? Proponents hail simplicity and equity; skeptics worry about fiscal cost and incentives](#), *IMF Finance & Development*, 55(4).

## **PART TWO: Labour Demand and Labour Market Equilibrium**

### 4. Demand for Labour in Competitive Labour Markets

Benjamin et al. Chap. 5

Goldschmidt, Deborah, and Johannes F. Schmieder (2017) [The rise of domestic outsourcing and the evolution of the German wage structure](#). *Quarterly Journal of Economics* 132, no. 3: 1165-1217.

### 5. Equilibrium in a Single Labour Market

Benjamin et al. Chap. 7, (except p. 206-210)

Muehleemann, Samuel, Paul Ryan, and Stefan C. Wolter (2013) [Monopsony power, pay structure, and training](#). *ILR Review* 66, no. 5: 1097-1114.

### 6. Impacts of Minimum Wages on Employment

Benjamin et al. Chap. 7, p. 206-210.

Ehrenberg and Smith. Chap 4, p. 108-116.

Card, David and A. B. Krueger, [Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania](#), *American Economic Review*, Vol. 84 (September 1994) 772-793. (See also... [A Reply](#) in *American Economic Review*, Dec. 2000)

† Luca, Dara Lee, and Michael Luca (2019). [Survival of the fittest: the impact of the minimum wage on firm exit](#). No. w25806. National Bureau of Economic Research.

## 7. Impacts of Immigration on Local Labor Markets

Benjamin et al. Chap. 11, p.

Card, David (1990) [The Impact of the Mariel Boatlift on the Miami Labor Market](#), *Industrial and Labor Relations Review*, Vol. 43 (January): 245-257.

† Edo, Anthony, and Hillel Rapoport (2019) [Minimum Wages and the Labor Market Effects of Immigration](#). *Labour Economics* 61: 101-153.

## 8. Unemployment

Benjamin et al. Chap. 16

Stephen Jones, Fabian Lange, Craig Riddell, and Casey Warman, [Waiting for Recovery: The Canadian Labour Market in June 2020](#), Spring-Summer 2020, CLEF WP#28.

## PART THREE: The Determination of Relative Wages

### 9. Human Capital Model: Investment in Education

Benjamin et al. Chap. 9

Oreopoulos, Philip (2006) [Estimating average and local average treatment effects of education when compulsory schooling laws really matter](#), *American Economic Review* 96, no. 1: 152-175.

† Lagakos, David, Benjamin Moll, Tommaso Porzio, Nancy Qian, and Todd Schoellman (2018) [Life cycle wage growth across countries](#), *Journal of Political Economy* 126, no. 2: 797-849.

### 10. Wage Inequality and the Rise of Skill Premium

Ehrenberg and Smith. Chap. 15

Autor, D. H (2014) [Skills, Education, and the Rise of Earnings Inequality Among the 'Other 99 Percent'](#). *Science* 344, no. 6186 (May 22): 843-851.

Fortin, Nicole M. and Thomas Lemieux (2015) ["Changes in Wage Inequality in Canada: An Interprovincial Perspective"](#), *Canadian Journal of Economics*, 48 (May): 682-692.

† Saez, Emmanuel (2017) [Income and Wealth Inequality: Evidence and Policy Implications](#), *Contemporary Economic Policy* 35(1), pp. 7-11.

† Bivens, J. and Shierholz, H. (2018) [What Labor Market Changes Have Generated Inequality and Wage Suppression?](#) Economic Policy Institute Report.

## PART FOUR: Wage Differentials across Groups and Discrimination

### 11. Theories of Discrimination

Benjamin et al. Chap. 12

Charles, Kerwin Kofi and Jonathan Guryan, [Prejudice and Wages: An Empirical Assessment of Becker's The Economics of Discrimination](#), *Journal of Political Economy* Vol. 116 (October 2008):

### 12. Racial and Ethnic Differentials

Ehrenberg and Smith. Chap. 12

Bertrand, Marianne and Sendhil Mullainathan (2004). [Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination](#). *American Economic Review*, 94(4), pp. 991-1013.

Oreopoulos, Philip (2011) "[Why Do Skilled Immigrants Struggle in the Labor Market? A Field Experiment with Six Thousand Resumes](#)" *American Economic Journal: Economic Policy* (2011): 148-171.

### 13. Gender Inequality

Benjamin et al. Chap. 12

Kleven, Henrik, Camille Landais, Johanna Posch, Andreas Steinhauer, and Josef Zweimüller. [Child penalties across countries: Evidence and explanations](#), *AEA Papers and Proceedings*, 109(5): 122-26. 2019.

Fortin, Nicole (2019) [Increasing Earnings Inequality and the Gender Pay Gap in Canada: Prospects for Convergence](#), *Canadian Journal of Economics*, 52(2): 407-440.

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