

Course: Labor Economics  
Instructor: Prof. Christina Gathmann, Ph.D.  
LISER and University of Luxembourg  
Place: Moosburger Hof, Pfaffenhofen  
Date: July 30-August 4, 2023

***Course Description:***

This course provides an overview of core topics in labor economics. In particular, the course studies key concepts to understand modern labor markets. It uses models in labor economics to inform empirical analysis and policy; stresses the links between theoretical and careful empirical research. The course has a strong empirical focus and we will touch on commonly used empirical methods to obtain causal effects. A key goal is to discuss the current research frontier and enable students to develop ideas and implement their own research projects. In the morning sessions, we will cover key theoretical models and empirical studies. The afternoon sessions will be a combination of theoretical problems, a review of some econometric methods and empirical exercises.

***Evaluation:***

There will be an exam of 90 minutes at your local university or place of work on September 1, 2023. Grades are pass/fail.

***Requirements:***

Core courses in microeconomics and econometrics at the graduate level (Master or first year Ph.D.).

The programming exercises will be conducted with Stata (and possibly R).

***Basic References:***

I will cover some material from the textbook *Labor Economics* by Cahuc, Carcillo and Zylberberg (2014, or previous edition). In addition, we will use key papers in the literature, Handbook articles and recent research papers.

***Instructor:***

Christina Gathmann is the Head of the Labour Market Department at the Luxembourg Institute of Socio-Economic Research and a professor of economics at the University of Luxembourg. She is also affiliated with the CEPR, CESifo, IZA and ZEW. She obtained her Ph.D. from the University of Chicago and has held positions at Stanford University, the Hoover Institution, University of

Mannheim and Heidelberg University. Her research interests are in labor economics, human capital, migration, policy evaluation and political economy.

***Schedule:***

*Please note that the course will start on Sunday, July 30, in the evening with a welcome meeting at 7pm followed by dinner. The course will finish on Friday, August 4 at 4pm.*

**Sunday, July 30**

7pm: *Welcome, Introduction and Dinner*

**Monday, July 31 -- Foundations**

9-10:30am **Lecture 1: Labor Supply**

10:30-11am *Break*

11-12:30am **Lecture 2: Human Capital and Skill Investment**

12:30-2pm *Lunch Break*

2-3:30pm Problem Set: Theory, Econometrics and Empirical Exercises

3:30-4pm *Break*

4-5:30pm Review and Discussion of Problem Set

5:30-7pm *Free Time*

7pm *Dinner*

**Tuesday, August 1**

9-10:30am **Lecture 3: Labor Demand**

10:30-11am *Break*

11-12:30am **Lecture 4: Labor Market Equilibrium and Monopsony Power**

12:30-2pm *Lunch Break*

2-3:30pm Problem Set: Theory, Econometrics and Empirical Exercises

3:30-4pm *Break*

4-5:30pm Review and Discussion of Problem Set

5:30-7pm *Free Time*

7pm *Dinner*

**Wednesday, August 2**

9-10:30am **Lecture 5: Minimum Wages**

10:30-11am *Break*

11-12:30am **Lecture 6: Wage Inequality**

12:30-2pm *Lunch Break*

2-3:30pm Problem Set: Theory, Econometrics and Empirical Exercises

3:30-4pm *Break*

4-5:30pm Review and Discussion of Problem Set

5:30-7pm *Free Time*

7pm *Dinner*

**Thursday, August 3**

9-10:30am **Lecture 7: Technological Change, Employment and Wages**

10:30-11am *Break*

11-12:30am **Lecture 8: Trade and Local Labor Markets**

12:30-2pm *Lunch Break*

2-3:30pm Problem Set: Theory, Econometrics and Empirical Exercises

3:30-4pm *Break*

4-5:30pm Review and Discussion of Problem Set

5:30-7pm *Free Time*

7pm *Dinner*

**Friday, August 4**

9-10:30am **Lecture 9: Gender Differences**

10:30-11am *Break*

11-12:30am **Lecture 10: Peer Effects in the Workplace**

12:30-2pm *Lunch Break*

2-3:30pm Problem Set and Review

***Tentative Reading List:***

**Lecture 1: Labor Supply**

Cahuc, Carcillo and Zylberberg, Chapter 1

Blundell, Richard, Thomas MaCurdy, and Costas Meghir. 2007. "Labor Supply Models: Unobserved Heterogeneity, Nonparticipation and Dynamics." In: *Handbook of Econometrics*. Vol. 6, edited by J.J. Heckman and E.E. Leamer, Chapter 69. Elsevier.

Cesarini, David, Erik Lindqvist, Matthew J. Notowidigdo, and Robert Östling. 2017. "The Effect of Wealth on Individual and Household Labor Supply: Evidence from Swedish Lotteries." *American Economic Review* 107(12): 3917–46.

Gathmann, Christina and Björn Saß, 2018. "Taxing Childcare: Effects on Family Labor Supply and Children." *Journal of Labor Economics* 36(3): 665-709.

**Lecture 2: Human Capital and Skill Investment**

Cahuc, Carcillo and Zylberberg, Chapter 4.

Cunha, Flavio, and James Heckman. 2007. "The Technology of Skill Formation." *American Economic Review*, 97(2): 31–47.

Deming, David J. 2017. "The Growing Importance of Social Skills in the Labor Market." *Quarterly Journal of Economics*, 132(4): 1593–1640.

Gathmann, Christina and Uta Schönberg. 2010, "How General is Human Capital? A Task-Based Approach" *Journal of Labor Economics* 28(1): 1-50.

Heckman, James J., Lance J. Lochner, and Petra E. Todd. 2006. "Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond." In: *Handbook of the Economics of Education*. Vol. 1, edited by E. Hanushek and F. Welch, Chapter 7, 307–458. Elsevier.

Heckman, J., J. Stixrud, and S. Urzua. 2006. "The Effects of Cognitive and Noncognitive Abilities on Labor Market Outcomes and Social Behavior." *Journal of Labor Economics* 24(3): 411–482.

**Lecture 3: Labor Demand**

Cahuc, Carcillo and Zylberberg, Chapter 2.

Beaudry, Paul, David A Green, and Benjamin M Sand. 2016. "The Great Reversal in the Demand for Skill and Cognitive Tasks." *Journal of Labor Economics* 34(S1, part 2), S199–247.

Beaudry, Paul, David A. Green, and Ben M. Sand. 2018. "In Search of Labor Demand." *American Economic Review* 108(9): 2714–57.

#### **Lecture 4: Labor Market Equilibrium and Monopsony Power**

Cahuc, Carcillo and Zylberberg, Chapter 5

Berger, David, Kyle Herkenhoff, and Simon Mongey, 2019. "Labor market power". NBER Working Paper.

Lamadon, T., Mogstad, M., and Setzler, B, 2019. "Imperfect Competition, Compensating Differentials and Rent Sharing in the US Labor Market". NBER Working Paper No. w25954.

Manning, Alan, 2003. *Monopsony in Motion*. Cambridge: MIT Press, Chapters 1 and 2.

Naidu, Suresh, Yaw Nyarko, and Shing-Yi Wang. 2015. "Monopsony Power in Migrant Labor Markets: Evidence from the United Arab Emirates." *Journal of Political Economy* 124(6), 1735–92.

#### **Lecture 5: Minimum Wages**

Autor, David, Alan Manning and C.L. Smith. 2016. "The contribution of the minimum wage to US wage inequality over three decades: A reassessment." *American Economic Journal: Applied Economics* 8(1), 58-99.

Cengiz, D., Dube, A., Lindner, A. and Zipperer, B. 2019. "The effect of minimum wages on low-wage jobs." *Quarterly Journal of Economics* 134(3), 1405-1454.

Clemens, Jeffrey, and Michael Wither. 2019. "The minimum wage and the Great Recession: Evidence of effects on the employment and income trajectories of low-skilled workers." *Journal of Public Economics* 170: 53-67.

Dube, A., Lester, T.W., and Reich, M., 2016. "Minimum Wage Shocks, Employment Flows and Labor Market Frictions." *Journal of Labor Economics* 34(3), 663–704.

Harasztosi, Peter, and Attila Lindner. 2019. "Who Pays for the Minimum Wage?" *American Economic Review* 109(8): 2693-2727.

#### **Lecture 6: Wage Inequality**

Autor, David H., Frank Levy and Richard J. Murnane. 2003. "The Skill Content of Recent Technological Change: An Empirical Exploration." *Quarterly Journal of Economics* 116(4).

Brüll, Eduard and Christina Gathmann. 2023. "Evolution of the East German Wage Structure." Working Paper, LISER.

Card, David, Jörg Heining and Patrick Kline, 2013. "Workplace Heterogeneity and the Rise of West German Wage Inequality", *Quarterly Journal of Economics* 128: 967-1015.

Dustmann, Christian, Johannes Ludsteck, and Uta Schönberg. 2009. "Revisiting the German Wage Structure." *Quarterly Journal of Economics* 124(2): 843–881.

Katz, Lawrence F, and Kevin M Murphy. 1992. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors." *Quarterly Journal of Economics* 107(1): 35–78.

### **Lecture 7: Technological Change**

Cahuc, Carcillo and Zylberberg, Chapter 11.

Acemoglu, Daron, and David Autor. 2011. "Skills, Tasks and Technologies: Implications for Employment and Earnings." In: *Handbook of Labor Economics*, edited by O. Ashenfelter and D. Card Vol. 4, Chapter 12, 1043–1171. Elsevier.

Acemoglu, Daron and Pascual Restrepo. 2019. "Automation and New Tasks: How Technology Displaces and Reinstates Labor." *Journal of Economic Perspectives* 33(2): 3–30.

Katz, Lawrence F. and Kevin M. Murphy. 1992. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors." *Quarterly Journal of Economics* 107(1), 35-78.

### **Lecture 8: Trade**

Autor, By David H, David Dorn, and Gordon H Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review*, 103(6), 2121–2168.

Autor, David H, David Dorn, and Gordon H Hanson. 2016. "The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade." *Annual Review of Economics* 8(1): 205–240.

Dauth, Wolfgang, Sebastian Findeisen, and Jens Suedekum. 2014. "The Rise of the East and the Far East: German Labor Markets and Trade Integration." *Journal of the European Economic Association* 12(6): 1643–1675.

Traiberman, Sharon. 2019. "Occupations and Import Competition: Evidence from Denmark." *American Economic Review* 109(12): 4260–4301.

### **Lecture 9: Gender Differences**

Cahuc, Carcillo and Zylberberg, Chapter 8.

Becker, Gary, 1975. "The Economics of Discrimination, Second Edition", University of Chicago Press, Chicago.

Azmat, Ghazala, and Rosa Ferrer. 2017. "Gender Gaps in Performance: Evidence from Young Lawyers." *Journal of Political Economy* 125(5): 1306–1355.

Bohren, J. Aislinn, Alex Imas, and Michael Rosenberg. 2019. "The Dynamics of Discrimination: Theory and Evidence." *American Economic Review* 109 (10).

Bursztyn, Leonardo, Thomas Fujiwara, and Amanda Pallais. 2017. "'Acting Wife:' Marriage Market Incentives and Labor Market Investments." *American Economic Review* 107(11): 3288–3319.

Card, David, Ana Rute Cardoso, and Patrick Kline, 2016. "Bargaining, sorting, and the gender wage gap: Quantifying the impact of firms on the relative pay of women," *Quarterly Journal of Economics* 131(2): 633-686.,

Miller, C. 2017, "The Persistent Effect of Temporary Affirmative Action" *American Economic Journal: Applied Economics*, 9(3): 152–190.

### **Lecture 10: Peer Effects**

Bandiera, Oriana, Iwan Barankay, and Imran Rasul (2005) "Social Preferences and the Response to Incentives: Evidence From Personnel Data" *Quarterly Journal of Economics*, 2005, 120: 917-62.

Bandiera, Oriana, Iwan Barankay, and Imran Rasul. (2009) "Social connections and incentives in the workplace: Evidence from personnel data." *Econometrica* 77(4): 1047-1094.

Caldwell, 2019. "Outside options, bargaining, and wages: Evidence from coworker networks." Mimeo.

Card, David, Alexandre Mas, Enrico Moretti, and Emmanuel Saez, 2012. "Inequality at Work: The Effect of Peer Salaries on Job Satisfaction." *American Economic Review* 102(6): 2981-3003.

Mas, Alexandre and Moretti, Enrico, 2009. "Peers at work" *American Economic Review* 99(1): 112-45.