**APEC 8502: LABOR ECONOMICS II**
Spring 2014, 2\(^\text{nd}\) half semester, 2 credits

**Instructor:** Professor Elizabeth (“Liz”) Davis
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Telephone: 612-625-3772
Office Hours: Mondays 3-4 and Wednesdays 11-12, and by appointment.
*Email is the best way to contact me to set up an appointment.*

**CLASS MEETING TIME and PLACE:** Tuesdays and Thursdays, 3:00-4:40 in Magrath Library Room 8.

**Course Description:** This course will cover topics in applied microeconomics related to labor supply, wage differentials and human capital, focusing on the decisions made by households and the resulting outcomes in the labor market. The three courses HRIR 8801, Apec 8501 and Apec 8502 comprise the field in labor economics for the Applied Economics PhD.

**Course Prerequisites:** Apec 8001-8004 (or Econ 8101-8104) and Apec 8211-8212, or equivalent. As this is an advanced field course in applied economics, it will be assumed that students have completed PhD core courses in econometrics and microeconomic theory. If not, please speak with me about your preparation for the course.

**Course procedures and requirements:** The course will be a combination of lecture and class discussion, with students leading some of the discussion. Students are expected to read the required readings ahead of class and be prepared to discuss them. Background readings are optional, though in some cases I will discuss them in class. The background readings will also help you prepare for the PhD written field exam in Labor Economics.

**Evaluation:** Grading polices will conform to standard University guidelines. Each student’s course grade will be based on a weighted average of grades as follows:

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<tr>
<th>Component</th>
<th>Weight</th>
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<tr>
<td>Homework assignments</td>
<td>30%</td>
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<tr>
<td>Paper (due May 12)</td>
<td>30%</td>
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<tr>
<td>Final exam (on May 15)</td>
<td>30%</td>
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<tr>
<td>Class participation</td>
<td>10%</td>
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**Homework assignments:** There will be approximately four homework assignments. Each student will be assigned one or more articles to present to the class, along with a written summary of the article. Other homework assignments will involve problem solving and/or estimation of empirical models. All homework assignments will have a due date, and late assignments will lose points. Approximate due dates (subject to change) are April 3, April 15, April 24 and the date on which you present one of the readings to the class.

**Class participation and preparation** accounts for 10 percent of your grade. Class participation includes asking and answering questions and demonstrating that you have done the reading and tried to understand the material. Occasional in-class writing assignments on readings may be given without notice and will count towards the class participation grade. Please let me know if you will miss a class, preferably before class time (by email or voicemail).
The final exam will be Thursday May 15, 10:30 am – 12:30 pm. It will be a closed book exam.

Research Paper: The paper should be on a topic in labor economics and should be 8 to 15 pages (excluding tables and figures, typed and double-spaced, 12-point font). Paper topics and a brief outline are due no later than April 17. The paper is due May 12. Submission by email is acceptable, though a paper copy is preferred.

The paper may follow one of two models:
   a) Original empirical or theoretical work (a careful extension of an existing model would be sufficient). Empirical work is strongly encouraged.

   b) A careful and carefully documented attempt to replicate the main findings of a published paper. In this case you cannot start with the computer program posted on the journal or author’s website. You must submit your own Stata/SAS/R code with your paper.

Note: A stand-alone literature review or a research proposal is not an acceptable paper.

For students who took Apec 8501 this spring and who are using the same paper for both classes, we (Professor Ritter and I) will expect it to be significantly more ambitious. We will both read it and independently assign grades for our respective classes. Be sure to submit your paper to both Professor Ritter (for Apec 8501) and me by the due date of May 12.

Recommended books: There are no required textbooks for the course.

   • Mark Killingsworth. Labor Supply, (Cambridge Univ. Press, 1983). This is an older text, but there has been no real replacement for it.

   • You may find it useful to read an undergraduate labor economics text for background, (e.g., Borjas, Ehrenberg & Smith; Kaufman & Hotchkiss, or McConnell, Brue & Macpherson. Any recent edition will work.)


   • The Handbook of Labor Economics (volumes 1, 2, 3 and 4) is also a good reference. Available in the reference section of the Waite Library and online.

Articles: Most of the links to articles are live. Certain articles can be accessed only from a University of Minnesota IP address—either a University computer or through the University’s VPN. Other articles may be available through the University of Minnesota library e-journals. In addition, some readings are on the class Moodle site or are available in the reference section in Waite Library. Students are expected to read the required articles prior to class and be prepared to discuss them.
Apec 8502 Course Policies

Class attendance is expected and students are fully responsible for all information disseminated in class including deadlines, reading assignments, and examination dates and times. All students, regardless of either the A-F or S-N grading system, will be expected to do all work assigned in the course. Students may not make commercial use of their notes of lectures or University-provided materials without the express written consent of the instructor.

Scholastic Dishonesty: You are expected to do your own academic work and cite sources as necessary. Failing to do so is scholastic dishonesty. Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering, forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.

**Removing reserve readings or books from Waite Library without signing them out is an example of academic dishonesty and is extremely inconsiderate to your classmates**

If it is determined that a student has cheated, he or she may be given an "F" or an "N" for the course, and may face additional sanctions from the University. For additional information, please see: http://policy.umn.edu/Policies/Education/Education/INSTRUCTORRESP.html

Incompletes are rarely given and are only granted after the student and Professor Davis have agreed upon a timetable (in a written contract) for the completion of all coursework. Incompletes must be requested in advance of the final exam.

Sexual Harassment "Sexual harassment" means unwelcome sexual advances, requests for sexual favors, and/or other verbal or physical conduct of a sexual nature. Such conduct has the purpose or effect of unreasonably interfering with an individual's work or academic performance or creating an intimidating, hostile, or offensive working or academic environment in any University activity or program. Such behavior is not acceptable in the University setting. For additional information, please consult Board of Regents Policy: http://www1.umn.edu/regents/policies/humanresources/SexHarassment.html

Disability Accommodations: The University is committed to providing quality education to all students regardless of ability. Determining appropriate disability accommodations is a collaborative process. You as a student must register with Disability Services and provide documentation of your disability. The course instructor must provide information regarding a course’s content, methods, and essential components. The combination of this information will be used by Disability Services to determine appropriate accommodations for a particular student in a particular course. For more information, please reference Disability Services: http://ds.umn.edu/student-services.html. Students with disabilities that affect their ability to participate fully in this class or to meet all course requirements are encouraged to contact the university Office of Disability Services so that appropriate accommodations can be arranged.

Student Conduct Code: As a student at the University you are expected adhere to Board of Regents Policy: Student Conduct Code. To review the Student Conduct Code, please see: http://www1.umn.edu/regents/policies/academic/Student_Conduct_Code.html
APEC 8502: COURSE OUTLINE: TOPICS AND READINGS

March 25  Class #1: Static Labor Supply Models

Required readings
- Chapter 1 in Mark Killingsworth, Labor Supply, Cambridge Univ. Press, 1983 (on class Moodle site).

Background reading
- M. Killingsworth, Labor Supply, Chapter 6 (on reserve in Waite Library).

March 27  Class #2: Estimation of Labor Supply Functions

Required readings

Background reading
- M. Killingsworth, Labor Supply, Chapters 3 and 4 (on reserve in Waite library).
Apr 1   Class #3: Household Models of Labor Supply: Theory and Estimation

Required readings


Background reading


Apr 3   Class #4: Unemployment and Duration Models

Required readings


Background reading

Apr. 8  Class # 5: Labor Supply and Public Policies

Required readings


Background readings


April 10  Class #6: Behavioral Models of Labor Supply

Required readings:


**Background reading**


**Apr 15 Class #7: Lifecycle Models of Labor Supply**

**Required readings**


**Background reading**


- M. Killingsworth, *Labor Supply*, Ch. 5, (on Moodle)

April 17        Class # 8: Theory of Human Capital

Required readings


Background reading


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April 22        Class #9: Estimating Returns to Schooling and Training

Required readings


Background reading


April 24 Class #10: Estimating Returns to Schooling Around the World

Suggested readings Students will present these articles or articles they select (subject to instructor approval)


Background reading


April 29  Class #11: Estimation of the Skills Production Function

Required readings


Background reading


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May 1  Class #12: Non-Cognitive Skills and Human Capital Development Prior to Age 5

Required readings


Background reading


May 6 Class #13: Alternative Explanations of Wage Differentials

**Required readings**


**Background reading**


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May 8: Class #14: Thinking Outside the Box: Social Networks, Peer Effects and Identity

Required readings


Background reading


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Thursday May 15 FINAL EXAM (closed book exam)-- 10:30 am -12:30 pm, location TBD
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Reading and understanding academic articles

Consider the following questions as you read each article.

1. What is the question or issue that this paper is seeking to address? In other words, what questions or puzzles motivate the paper?

2. What is the background for the paper? How does it relate to previous literature? What is its contribution to the literature?

3. What theoretical model or framework is being used in the paper? Give a summary of the model. Consider whether the model is internally consistent, makes sense, explains the behavior under investigation, and discriminates itself from other possible explanations of the observed behavior.

4. What econometric approach (if any) is used in the paper? What hypotheses are being tested? How does the paper obtain identification of the effects of interest? What econometric methods are used? Do the methods seem appropriate and robust? What does the author control for and why?

5. What conclusions, theoretical or empirical, does the author reach? Are they convincing?

6. What extensions, alternative modeling, or estimation might you try? If you were writing this paper, what would you do differently?