APEC 8502: LABOR ECONOMICS II  
Spring 2016, 2nd half semester, 2 credits

Instructor: Professor Elizabeth ("Liz") Davis  
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Office Hours: Tuesdays 1-2 and Wednesdays 10-11, 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 Ruttan B36.

Course Description: This course will cover topics in applied microeconomics related to labor supply, human capital and wage differentials, 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:

- Homework assignments 20%
- Paper (due May 11) 30%
- Final exam (on May 13) 30%
- Class participation and preparation 20%

Homework assignments: There will be two or three homework assignments that will involve problem solving and/or estimation of empirical models. All homework assignments will have a due date, and late assignments will lose points.

Class participation and preparation accounts for 20 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. Each student will be assigned one or more articles to present to the class, along with a written summary of the article. 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 Friday May 13, 8:00-10:00 am. 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 11**. 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 11.

**Recommended books:** There are no required textbooks for the course. The following books may be helpful to you for the course or as background/supplemental reading:

- 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 22   Class #1: Static Labor Supply Models

Required readings

- Chapters 1 and 2 (up to page 43) in Mark Killingsworth, Labor Supply, Cambridge Univ. Press, 1983 (available on class Moodle site).


Background reading

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


March 24   Class #2: Estimation of Labor Supply Functions

Required readings


Background reading

- M. Killingsworth, Labor Supply, Chapters 3 and 4 (on reserve in Waite library).

Mar 29  Class #3: More Household Models and Bargaining

Required readings


Background reading


Mar 31 Class #4: Labor Supply and Public Policies

Required readings


Background reading


Apr. 5  Class # 5: Unemployment and Duration Models

Required readings


Background reading


Apr 7  Class #6: Lifecycle Models of Labor Supply

Required readings


Background reading


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

April 12  Class #7: Observations of Short-run Labor Supply Elasticities:

Required readings:


Background reading


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April 14  Class #8: Theory of Human Capital and Returns to Schooling

Required readings


Background reading


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April 19 Class #9: Estimating Returns to Schooling

**Required readings**


**Background reading**


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April 21  Class #10: Estimating Returns to Schooling Around the World

Required readings


Background reading


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April 26  Class #11: Returns to On-the-Job Training

Required readings


Background reading

Apr 28  Class # 12: Estimation of the Skills Production Function

Required readings


Background reading


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May 3 Class #13: Explanations of Wage Differentials

Required readings


Background reading


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May 5: Class #14: Alternative Explanations of Wage Differentials

Required readings


Background reading


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Wednesday May 11: Paper due date

Friday May 13 FINAL EXAM (closed book exam)—8:00 am -10:00 am, Ruttan B36

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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?