

## **LABOUR ECONOMICS –NAKE**

### **Block 3**

**10 December 2010 - 21 January 2011**

**Dr. Wolter Hassink**

**Utrecht University – Utrecht University School of Economics**

**Janskerkhof 12**

**w.h.j.hassink@uu.nl**

### **Introduction**

The objective of this course is to give the students a broad overview of recent developments in labour economics. Emphasis will be put on a better understanding of the theoretical models as well as their empirical applications.

Each week will deal with a different topic. The topics to be covered are wages, skills and human capital, contracting and incentives, flows in the labor market, and the workplace. For the course, there is a reading list (see below). The participants are expected to read the required literature of each lecture in advance. For each week some background reading is provided. In particular, various chapters from the textbook:

Cahuc, P. and A. Zylberberg (2004), *Labor Economics*, MIT-Press.

### **Course organization**

The course is organized in Block three (10 December 2010 - 21 January 2011). There will be five 2-hour lectures. Students are strongly advised to read the compulsory literature of each lecture in advance. Each week they must send their questions regarding the compulsory reading material in advance to Wolter Hassink. This will help in better understanding of materials covered in the class and in useful participation in class discussions.

### **Exam**

Paper summarizing the methodology used and results obtained (both statistical significance and economic relevancy) of empirical background papers around one of the five topics when addressing a very specific research question (“the narrower the better”). Between 5 and 10 pages of text. Additional summarizing tables and figures encouraged. Email pdf to [w.h.j.hassink@uu.nl](mailto:w.h.j.hassink@uu.nl), Wednesday February 2<sup>nd</sup>, 2011, ultimately.

### **1. Efficiency wage, monopsony, and wage inequality (10 December 2010)**

Shapiro, C. and J. Stiglitz (1984), "Equilibrium Unemployment as a Worker Discipline Device," *American Economic Review*, Vol. 74, pp. 433-444.

Manning, A. (2003), "The Real Thin Theory: Monopsony in Modern Labour Markets," *Labour Economics*, Vol 10, pp. 105-131.

#### Background:

Chapter 5 from

Cahuc, P. and A. Zylberberg (2004), *Labor Economics*, MIT-Press.

Goos, M. and A. Manning (2007), *The Review of Economics and Statistics*, Vol. 89 (1), pp. 118-133.

### **2. General skills, human capital and training (17 December 2010)**

Acemoglu, D. and J-S. Pischke (1998), "Why Do Firms Train? Theory and Evidence," *Quarterly Journal of Economics*, Vol. 113: 79-119.

Lazear, E.P. (2009), "Firm-specific Capital: a Skill-Based Approach," *Journal of Political Economy*, Vol. 117(5): 914-940

#### Background:

Cahuc and Zylberberg, Ch. 2

Ben Porath, Y. (1967), "The Production of Human Capital and the Life Cycle of Earnings," *Journal of Political Economy*, pp. 352-365.

Spence, A.M. (1973), "Job Market Signaling," *Quarterly Journal of Economics*, Vol. 87, 355-374.

Heckman, J., Lochner, J.L., and P.E. Todd (2003), "Fifty Years of Mincer Earnings Regressions," NBER Working Paper 9732.

### **3. Contracting and Incentives (7 January 2011)**

Lazear, E. and S. Rosen (1981) "Rank-Order Tournaments as Optimum Labor Contracts," *Journal of Political Economy*, 89(5) 841-864.

Prendergast, C. (1999), "The Provision of Incentives Inside Firms," *Journal of Economic Literature*, Vol. 37, pp 7 – 63.

#### Background:

Chapter 6 of Cahuc and Zylberberg

Prendergast, C (2002) "The Tenuous Trade-off between Risk and Incentives," *Journal of Political Economy*, 110, 1071-1102.

Courty, P. and G. Maschke (2004), "An empirical Investigation of Gaming Responses to Explicit Performance Incentives," *Journal of Labor Economics*, Vol. 22(1), pp. 23-56.

#### **4. Flows in the labor market (14 January 2011)**

Rogerson, R. Shimer, R., and R. Wright (2005), "Search Theoretic Models of the Labor Market," *Journal of Economic Literature*, Vol. 43, pp. 959-988.

Cahuc, P. and E. Postel-Vinay (2002), Temporary Jobs, Employment Protection, and Labor Market Performance, *Labour Economics*, Vol. 9, pp. 63-91.

Garibaldi, P. (1998), "Job Flow Dynamics and Firing Restriction," *European Economic Review*, Vol. 42 (2), pp. 245-275.

##### Background:

Burda, M. and Ch. Wyplosz (1994), "Gross Worker and Job Flows in Europe," *European Economic Review*, Vol. 38, pp. 1287-1315.

Eckstein, Z. and van den Berg, G.J., (2007) "Empirical Labor Search: A Survey," *Journal of Econometrics*, 136(2), 531-564

Jolivet, G., F. Postel-Vinay and J.-M. Robin (2006), "The Empirical Content of the Job Search Model: Labor Mobility and Wage Distributions in Europe and the US", *European Economic Review*, 50(4), 877-907.

Mortensen, D. T. (2003), *Wage Dispersion: Why Are Similar Workers Paid Differently?* MIT Press.

Chapter 3 of Cahuc and Zylberberg

#### **5. The workplace (21 January 2011)**

Ichniowski, C., Shaw, K. and G. Prenzushi (1997), "The Effects of Human Resource Management Practices on Productivity," *American Economic Review*, Vol. 86, pp. 291-313.

Mas, A. and E. Moretti (2009), "Peers at Work," *American Economic Review*, Vol. 99 (1), 112-145.

Bandiera, O., Barankay, I., and I. Rasul, (2005), "Social Preferences and the Response to Incentives: Evidence from Personnel Data," *Quarterly Journal of Economics*, 120 (3), pp 917-962.

##### Background:

Oyer, P. and S. Schaefer (2010), "Personnel Economics: Hiring and Incentives," *Handbook of Labor Economics*, Volume 4, Forthcoming.

Ichino, A. and E. Moretti (2009), "Biological Gender Differences, Absenteeism and the Earning Gap," *American Economic Journal: Applied Economics*, Vol 1(1), pp. 183-218.