

- Turnovsky, Stephen(1995) *Methods of macroeconomic dynamics* Prentice Hall India. Eastern Economy Edition.
- Heijdra, Ben (2017) *Foundations of Modern Macroeconomics*. Oxford.

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Discipline Specific Elective 28 (DSE-28): Labour Economics

Semester	Course title & Code	Credits	Duration (per week)			Eligibility Criteria	Prerequisite
			Lecture	Tutorial	Practical/ Practice		
VI/VIII	Labour Economics– ECON058	4	3	1	0	Class 12th Pass	Introductory /Principles of Microeconomics

Learning Objectives

The Learning Objectives of this course are as follows:

- The curriculum is an introduction to labor economics, with an emphasis on applied microeconomic theory and empirical methods critical to microeconomic analysis, as well as the link between research and public policy.
- This course particularly focuses on some of the core theories on labor economics e.g. labor supply, labor demand, role of human capital, incentives, agency, efficiency wages, wage differential and discrimination. The main objective of this course is to enlighten students with some core topics in labor economics with some of the important empirical methods.

Learning outcomes

The Learning outcomes of this course are as follows:

- The students will be able to understand basic theories of labor markets, issues of un-employment, and forms of employment.
- They will learn to critically analyse labour markets in diverse settings including in the macroeconomic context.
- This course will enable the students to evaluate the government policies on labor market critically.

Syllabus

UNIT I: Labor Supply (Static and Intertemporal) (9 hours)

Measuring the Labor Force, Basic Facts about Labor Supply, The Worker's Preferences, The Budget Constraint, The Hours of Work Decision, To Work or Not to Work? The Labor Supply Curve, Estimates of the Labor Supply Elasticity, Labor Supply of Women, Labor Supply over the Life Cycle, Policy Application: Welfare Programs and Work Incentives, Policy Application: The Earned Income Tax Credit, Policy Application: The Decline in Work Attachment among Older Workers.

UNIT II: Labor Demand (9 hours)

The Production Function, The Employment Decision in the Short Run, The Employment Decision in the Long Run, The Long-Run Demand Curve for Labor, The Elasticity of Substitution, Marshall's Rules of Derived Demand, Factor Demand with Many Inputs, Overview of Labor Market Equilibrium, Adjustment Costs and Labor Demand, Trade and Labor Demand, Policy Application: Affirmative Action and Production Costs, Policy Application: The Employment Effects of Minimum Wages Application: Rosie the Riveter as

an Instrumental Variable

UNIT III: Human Capital (6 hours)

Education in the Labor Market: Some Stylized Facts, The Schooling Model, Education and Earnings, Estimating the Rate of Return to Schooling, Do Workers Maximize Lifetime Earnings? Schooling as a Signal, Post school Human Capital Investments, On-the-Job Training, On-the-Job Training and the Age-Earnings Profile, Policy Application: School Construction in Indonesia, Policy Application: School Quality and Earnings, Policy Application: Evaluating Government Training Programs

UNIT IV: Incentives, Agency and Efficiency Wages (6 hours)

Moral Hazard, Moral Hazard with Limited Liability, Multitasking, Career Concerns, and Applications, Efficiency Wage Models

UNIT V: Wage Differential and Wage Structure (9 hours)

The Market for Risky Jobs, The Hedonic Wage Function, Compensating Differentials and Job Amenities, The Earning Distribution, Measuring Inequality, The Wage Structure: Basic Facts, Inequality across generations. Policy Application: How much is a life worth? Policy Application: Safety and Health Regulations, Policy Application: Health Insurance and the Labor Market, Policy Application: Why did wage inequality increase?

UNIT VI: Discrimination (Race and Gender) (6 hours)

Race and Gender in the Labor Market, The Discrimination Coefficient, Employer Discrimination, Employee Discrimination, Customer Discrimination, Statistical Discrimination, Experimental Evidence on Discrimination, Measuring Discrimination, Discrimination against Other Groups, Policy Application: Determinants of the Black–White Wage Ratio, Policy Application: Determinants of the Female–Male Wage Ratio.

Recommended readings

- George J. Borjas, *Labor Economics*, McGraw Hill (7th Edition)
- P. Cahuc, Stéphane Carcillo, and André Zylberberg. *Labor Economics*, Second Edition. MIT Press, 2014
- Lectures in Labor Economics By Daron Acemoglu and David Autor
- Acemoglu, D., D. Autor and D. Lyle, “Women, War and Wages: The Effect of Female Labor Supply on the Wage Structure at Mid-century,” *Journal of Political Economy* (2004) 112:497-551.
- Angrist, J. D., & Pischke, J. S. (2008). *Mostly harmless econometrics*. Princeton university press.
- Angrist, J. D., Caldwell, S., & Hall, J. V. (2021). Uber versus taxi: A driver’s eye view. *American Economic Journal: Applied Economics*, 13(3), 272-308.
- Ashenfelter, O., K. Doran, and B. Schaller, “A Shred of Credible Evidence on the Long-run Elasticity of Labour Supply,” *Economica* (2010), 77:637
- Bertrand, M. and S. Mullainathan, “Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination,” *American Economic Review* 94(2004):991-1013 (Primary Reading)
- Cappelli, Peter and Keith Chauvin (1991) “An Interplant Test of the Efficiency Wage Hypothesis.” *Quarterly Journal of Economics*, 106(3), 769 – 787.
- 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* (1994) 84:772-793.
- Carl Shapiro and Joseph Stiglitz (1984) “Equilibrium Unemployment as Worker Discipline Device,” *American Economic Review*, vol. 74(3), pages 433-44, June.
- Cesarini, D., Lindqvist, E., Notowidigdo, M. J., & Ötting, R. (2017). The effect of wealth on individual and household labor supply: evidence from Swedish lotteries. *American Economic Review*, 107(12), 3917-46.
- Charles, K.K. and J. Guryan, “Prejudice and Wages: An Empirical Assessment of Becker’s The Economics of Discrimination,” *Journal of Political Economy* (2008), 116(5):773-809.
- D. Acemoglu, and J-S. Pischke (1999). “Beyond Becker: Training in Imperfect Labor Markets,” *Economic Journal* vol 109 February 1999, pp F112-142.
- D. Autor, (2001) “Why Do Temporary Help Firms Provide Free General Skills Training?”, *Quarterly Journal of Economics*, Vol. 116, No. 3, pp. 1409-1448. (M)

- D. Card, "Using Regional Variation to Measure the Effect of the Federal Minimum Wage," *Industrial and Labor Relations Review*, October 1992.
- D. Card, "Estimating the Return to Schooling: Progress on Some Persistent Econometric Problems." *Econometrica* 69 (September 2001).
- Fehr, E. and L. Goette, "Do Workers Work More if Wages are High? Evidence from a Randomized Field Experiment," *American Economic Review* (2007), 1:298-317.
- Goldin, C., and C. Rouse, "Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians," *American Economic Review* (2000), 90 (4):715-741.
- Imbens, D. Rubin, and B. Sacerdote, "Estimating the Effect of Unearned Income on Labor Supply: Evidence from a Survey of Lottery Players," *American Economic Review* 91 (2001).
- J. Tyler, Richard J. Murnane and John Willett, "Estimating the Labor Market Signaling Value of the GED," *Quarterly Journal of Economics*, May 2000. (M)
- J.D. Angrist and A. Krueger, "Does Compulsory Schooling Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics*, 106[4], Nov 1991, 979-1014.
- Krueger, Alan B, and Lawrence H. Summers (1988) "Efficiency Wages and the Inter-Industry Wage Structure," *Econometrica*, 56(2)259-93.
- Maiti, D., & Mukherjee, A. (2013). Trade cost reduction, subcontracting and unionised wage. *Labour Economics*, 21, 103-110.
- P. Martorell and D. Clark, "The Signaling Value of a High School Diploma," *Journal of Political Economy*, 122[2], April 2014.
- Saha, B., Sen, K., & Maiti, D. (2013). Trade openness, labour institutions and flexibilisation: Theory and evidence from India. *Labour Economics*, 24, 180-195.
- T. MaCurdy, "An Empirical Model of Labor Supply in a Life-Cycle Setting," *Journal of Political Economy*, 89[6], December 1981, 1059-1085.
- Weber, A. and E. Del Bono "Do Wages Compensate for Anticipated Working Time Restrictions? Evidence from Seasonal Employment in Austria", *Journal of Labor Economics*, 26(1), 181-221, 2008.

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