

Economics 440: Labor Economics

University of Illinois

Spring 2024



Sections A3 and A4: TuTh 9:30-10:50am, W109
Turner Hall

Sections B3 and B4: TuTh 2-3:20pm, 319
Gregory Hall

Welcome to the course! I am Mark Borgschulte, an assistant professor and labor economist here at the University of Illinois. I study labor markets, health, aging, immigration, and the causes of inequality. I grew up in Miami and San Diego, studied at Berkeley, and have been at the University of Illinois since 2014. I have three children and a dog. I hope you enjoy the course.

Course Overview

We spend around half of our waking hours at work, and indeed, the motto of our university is “Learning and Labor.” This course in labor economics will teach you to apply economic models to decisions about work, school, and running a business. We will cover models and evidence on the demand, supply, and the market for labor, as well as topics such as unemployment, education, the economic impacts of immigration, and discrimination.

Objectives

By successful completion of the course, the students will be able to:

- *summarize* and *explain* research articles and reviews in labor economics. Students will learn the language of labor market analysis, as well as key institutional details.
- *apply* economic logic, models, and insights to *formulate* the best course of action in response to changes in the economic conditions faced by households and businesses. Students will develop analytical and problem-solving skills using microeconomic theory, as well as calculus and statistical tools.
- *evaluate* and *critique* economic arguments and policies. Students will engage in critical thinking and quantitative reasoning in household economic decision making and in the evaluation of labor market policy.

Instructor Contact Information

Email: markborg [at] Illinois [dot] edu. Please use email for short communications, such as requests for additional explanation on a certain topic in the next lecture, yes/no questions, or those requiring one sentence replies. For longer questions, please come to office hours or talk to me after class.

Office Hours: Wed 12:30-2pm, 31 David Kinley Hall (in the suite at the south end of the basement). Please do not arrive in the last 10 minutes of office hours, as I will often need to attend seminar at 2pm. I will also be available for 30 minutes after most lectures.



Course Materials

The course textbook is *The Economy 2.0: Microeconomics* from CORE Econ. It is available for free online.

The course website will be hosted on Canvas. I will upload slides, problem sets, and other materials. I will update the course schedule on Canvas as the semester progresses.

I will ask you to download research papers and other writings. The library proxy can be used to access the readings from off-campus networks. In most cases, you should read the published version of papers from the official journal website. Where you need to read a working paper, I will share a link over Canvas.

I-clicker (\$15.99 subscription): a phone app is available; you should register an account on iclicker.com.

Assignments, Exams and Grading

Assignments must be submitted (on Canvas) within 5 minutes of the start of class on the due date. Late work will be accepted for half credit if submitted before the start of the following class. I will drop your lowest score(s) on the problem sets and readings. There are no makeups on missed I-Clicker questions, however, I will offer the opportunity to earn more than 50 points. You must attend class to earn I-Clicker points. Students who use the I-Clicker from outside the classroom will lose all I-Clicker points.

- 12 Readings, 10 points each, drop lowest 2 scores, 100 points total (10% of all points in course)
- 6 Problem Sets, 50 points each, 300 points total (30%)
- I-Clickers: 50 points total/maximum (5%)
- Midterms, 150 points each, 300 points total (30%)
- Final: 250 points (25%)

Final grades will be assigned based on the quality of the work with most students receiving grades of B or above. In setting the letter grade distribution, I will consider improvement over the course of the class and performance on the final exam. I will assign the same grade to students with similar total points according to the above rubric. Students enrolled in the 4-credit version of the class should talk to me in the first week about the expectations for the additional credit hour.

Reading Assignment

The reading assignments are designed to make sure you have read the paper sufficiently closely to follow a class discussion.

The first section of the assignment should be a short summary of the paper focused on the empirical strategy. Be sure to identify the "treatment" and "control" groups and how they are determined. For example, some papers will determine treatment and control by a formal randomization by the researcher. You should also describe the main results of the paper. I expect the summary to be 2-3 paragraphs, each of 3-5 sentences. This works out to 250-300 words. It should not be a restatement of the abstract or first few paragraphs of the paper, i.e. it should reflect that you read the paper.

In the second section, I would also like you to write three questions you had when reading the paper. I will try to review these questions before class to inform the discussion. It would help if you can submit the assignment the night before class, though that is not required. I would prefer you focus on points of confusion you ran into when trying to understand the paper, rather than extensions or critiques.

Exam Policy

You must let me know by the end of the second week of class if you have a conflict with one of the exam dates. If an emergency arises and you will miss an exam, you must contact me before the start of the exam, otherwise you will receive a score of zero on the exam. Documentation of a legitimate medical or family emergency will be required. Provided such documentation, I will discuss the additional work required to replace the exam in the final grade calculation. There are no makeup exams.

Please tell me as soon as possible if you expect to need a conflict exam. Keep in mind that campus policy places the conflict exam obligation on the larger of the two lectures. The University's final exam policy is available at: http://studentcode.illinois.edu/article3_part2_3-201.html

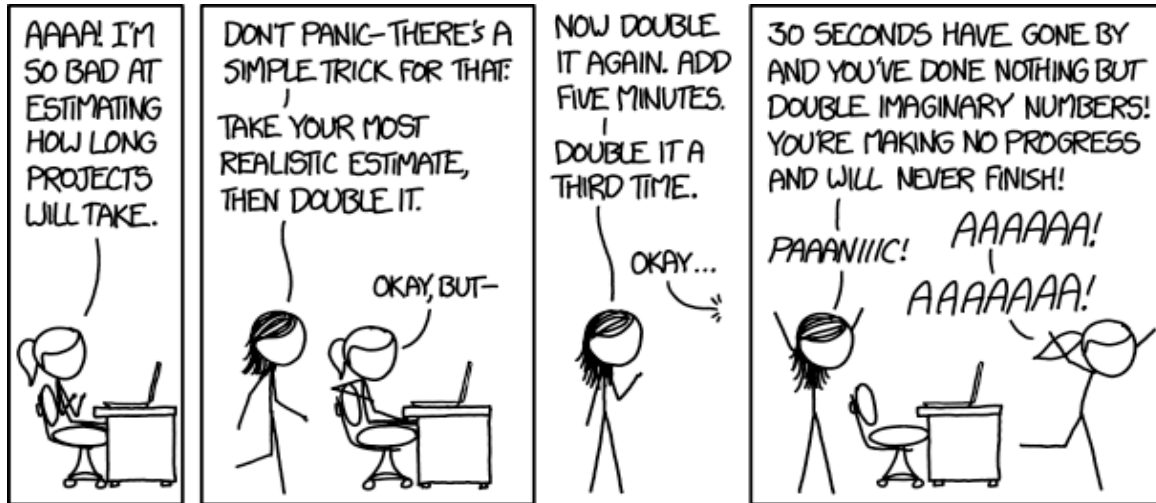
What Should You Already Know?

The course assumes you have taken Economics 302: Intermediate Micro Theory and an introductory statistics class. From your intermediate microeconomics class, I expect you to know how to solve constrained optimization problems, including setting up the consumer and firm's maximization problems, drawing indifference curves and budget constraints, and explaining substitution and income/scale effects. From your introductory statistics class, I expect you to understand point estimates, standard errors, confidence intervals, and have some exposure to linear regression.

Tips for Success

- Come to lecture. The posted materials are not a substitute for attendance. If you must miss a lecture, get notes from a friend. There is no makeup for missed I-Clicker questions.
- Read the assigned chapters before lecture and then review again after lecture.
- Start problem sets when they are assigned, try (at least twice) to answer every question on your own before asking for help.
- Form study groups. The ability to teach the material is a good test of mastery.
- Come to office hours with questions you and your study group cannot answer on your own.

- Sleep: the research on the effects of sleep on cognition and learning is very solid. Sleep will help you learn. It will also help your mood. A single night of disrupted sleep will affect your cognitive abilities for the next week.



Campus Policies

Academic Integrity

The University has the responsibility for maintaining academic integrity so as to protect the quality of education and research on our campus and to protect those who depend upon our integrity.

Expectations of Students. It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions. Students have been given notice of this art by virtue of its publication. Regardless of whether a student has actually read this Part, a student is charged with knowledge of it. Ignorance is not a defense.

The University's full academic integrity policy is available at:

http://studentcode.illinois.edu/article1_part4_1-401.html

Disability Resources

To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES, you may visit 1207 S. Oak St., Champaign, call 217-333-1970, e-mail disability@illinois.edu or go to the DRES website.

Anti-Racism and Inclusivity Statement

The University of Illinois is committed to the creation of an anti-racist, inclusive community that welcomes diversity along a number of dimensions, including, but not limited to, race, ethnicity and national origins, gender and gender identity, sexuality, disability status, class, age, or religious beliefs. The College recognizes that we are learning together in the midst of the Black Lives Matter movement,

that Black, Hispanic, and Indigenous voices and contributions have largely either been excluded from, or not recognized in, science and engineering, and that both overt racism and micro-aggressions threaten the well-being of our students and our university community.

The effectiveness of this course is dependent upon each of us to create a safe and encouraging learning environment that allows for the open exchange of ideas while also ensuring equitable opportunities and respect for all of us. Everyone is expected to help establish and maintain an environment where students, staff, and faculty can contribute without fear of personal ridicule, or intolerant or offensive language. If you witness or experience racism, discrimination, micro-aggressions, or other offensive behavior, you are encouraged to bring this to the attention of the course director if you feel comfortable. You can also report these behaviors to the Bias Assessment and Response Team (BART) <https://bart.illinois.edu/>. Based on your report, BART members will follow up and reach out to students to make sure they have the support they need to be healthy and safe. If the reported behavior also violates university policy, staff in the Office for Student Conflict Resolution may respond as well and will take appropriate action.

Community of Care

As members of the Illinois community, we each have a responsibility to express care and concern for one another. If you come across a classmate whose behavior concerns you, whether in regards to their well-being or yours, we encourage you to refer this behavior to the Student Assistance Center (217-333-0050 or <http://odos.illinois.edu/community-of-care/referral/>). Based on your report, the staff in the Student Assistance Center reaches out to students to make sure they have the support they need to be healthy and safe.

Further, we understand the impact that struggles with mental health can have on your experience at Illinois. Significant stress, strained relationships, anxiety, excessive worry, alcohol/drug problems, a loss of motivation, or problems with eating and/or sleeping can all interfere with optimal academic performance. We encourage all students to reach out to talk with someone, and we want to make sure you are aware that you can access mental health support at McKinley Health Center (<https://mckinley.illinois.edu/>). Or the Counseling Center (<https://counselingcenter.illinois.edu/>). For urgent matters during business hours, no appointment is needed to contact the Counseling Center. For mental health emergencies, you can call 911.

Sexual Misconduct Reporting Obligation

The University of Illinois is committed to combating sexual misconduct. Faculty and staff members are required to report any instances of sexual misconduct to the University's Title IX and Disability Office. In turn, an individual with the Title IX and Disability Office will provide information about rights and options, including accommodations, support services, the campus disciplinary process, and law enforcement options.

A list of the designated University employees who, as counselors, confidential advisors, and medical professionals, do not have this reporting responsibility and can maintain confidentiality, can be found here: <http://wecare.illinois.edu/resources/students/#confidential>.

Other information about resources and reporting is available here: <http://wecare.illinois.edu>.

Mental Health

Significant stress, mood changes, excessive worry, substance/alcohol misuse or interferences in eating or sleep can have an impact on academic performance, social development, and emotional wellbeing. The University of Illinois offers a variety of confidential services including individual and group counseling, crisis intervention, psychiatric services, and specialized screenings which are covered through the Student Health Fee. If you or someone you know experiences any of the above mental health concerns, it is strongly encouraged to contact or visit any of the University's resources provided below. Getting help is a smart and courageous thing to do for yourself and for those who care about you.

Counseling Center (217) 333-3704

McKinley Health Center (217) 333-2700

National Suicide Prevention Lifeline (800) 273-8255

Rosecrance Crisis Line (217) 359-4141 (available 24/7, 365 days a year)

If you are in immediate danger, call 911

*The above statement is approved by the University of Illinois Counseling Center.

Emergency Response Recommendations

Emergency response recommendations can be found at the following website:

<http://police.illinois.edu/emergency-preparedness/>

I encourage you to review this website and the campus building floor plans website within the first 10 days of class:

<http://police.illinois.edu/emergency-preparedness/building-emergency-action-plans/>

Covid-19 Policies

For the latest policies, see <https://covid19.illinois.edu/>.

“Besides the workers in physical things, there are those who work in the great realms of social and spiritual life—who culture the soul to higher power and arm it with nobler purposes. Are not these, also, practical? Are not ideas possessions, as well as cornfields?”

-John Milton Gregory, “Learning and Labor,” Inaugural Address of the first Regent of the University of Illinois, March 11, 1868

Economics 440 Spring 2023 Schedule Grid

Details of lectures and assignments may be adjusted by announcement on Canvas.

Week/Date	Due this week	Tuesday Lecture, Readings	Thursday Lecture, Readings
Week 1 Jan 16, 18	Thursday: Reading Summary	Class Overview, Syllabus, Micro Review: Consumer Demand for Two Goods	Empirical Methods in Labor Economics, I-Clicker Setup Improving Management Through Worker Evaluations: Evidence from Auto Manufacturing, Jing Cai, Shing-Yi Wang The Quarterly Journal of Economics, Volume 137, Issue 4, November 2022, Pages 2459–2497, https://doi.org/10.1093/qje/qjac019
Week 2 Jan 23, 25	Thursday: Reading Summary	Firm Labor Demand Theory Recommended/Review: Chapters 1 and 2 of <i>The Economy 2.0: Microeconomics</i>	Market Labor Demand, Labor Demand Evidence Autor, David H. "Why are there still so many jobs? The history and future of workplace automation." <i>Journal of economic perspectives</i> 29, no. 3 (2015): 3-30.
Week 3 Jan 30, Feb 1	Tuesday: Problem Set 1 Thursday: Reading Summary	Population and Labor Demand Chapter 8, <i>The Economy 2.0: Microeconomics</i>	Immigration, Mariel Boatlift Discussion Card, David. "The impact of the Mariel boatlift on the Miami labor market." <i>ILR Review</i> 43, no. 2 (1990): 245-257.
Week 4 Feb 6, 8	Thursday: Problem Set 2, Reading Summary	College Wage Premium	Conclude Labor Demand Clemens, Michael A., Ethan G. Lewis, and Hannah M. Postel. "Immigration restrictions as active labor market policy: Evidence from the Mexican bracero exclusion." <i>American Economic Review</i> 108, no. 6 (2018): 1468-1487.
Week 5 Feb 13, 15		PS2 Solutions, Midterm Review (Practice Exam Solutions)	MIDTERM 1, February 15
Week 6 Feb 20, 22	Thursday: Reading Summary	Midterm Solutions Market Structure: Monopoly and Monopsony Chapter 6 of <i>The Economy 2.0: Microeconomics</i>	NJ/PA Minimum Wage Card, David, and Alan B. Krueger. "Minimum wages and employment: A case study of the fast food industry in New Jersey and Pennsylvania." <i>American Economic Review</i> (1993).

Week/Date	Due this week	Tuesday Lecture, Readings	Thursday Lecture, Readings
Week 7 Feb 27, 29	Thursday: Problem Set 3	Monopsony and Minimum Wage Policy Chapter 7 of <i>The Economy 2.0: Microeconomics</i>	Firm Premiums, Efficiency Wages, Search Models and Unemployment
Week 8 Mar 5, 7	Thursday: Reading Summary	Labor Supply Theory Chapter 3 of <i>The Economy 2.0: Microeconomics</i>	Employment, Reservation Wage Baker, Michael, Derek Messacar, and Mark Stabile. "Effects of Child Tax Benefits on Poverty and Labor Supply: Evidence from the Canada Child Benefit and Universal Child Care Benefit." <i>Journal of Labor Economics</i> 41, no. 4 (2023): 1129-1182.
		~~~ SPRING BREAK ~~~	
Week 9 Mar 19, 21	Thursday: Reading Summary	Labor Supply Evidence: Taxes, EITC and Welfare	Labor Supply Evidence (con't), Quiet Revolution Discussion  Goldin, Claudia. "The quiet revolution that transformed women's employment, education, and family." <i>American Economic Review</i> 96, no. 2 (2006): 1-21.
Week 10 Mar 26, 28	Tuesday: Problem Set 4, Reading Summary	Gender and Labor Supply, Compensating Differentials, Child Penalties Discussion  Kleven, Henrik, Camille Landais, Johanna Posch, Andreas Steinhauer, and Josef Zweimuller. "Child penalties across countries: Evidence and explanations." In <i>AEA Papers and Proceedings</i> , vol. 109, pp. 122-26. 2019.	Labor Supply Conclusion, PS4 Solutions, Midterm Review (Practice Exam Solutions)
Week 11 Apr 2, 4		<b>MIDTERM 2, April 2</b>	Inequality and Intergenerational Mobility
Week 12 April 9, 11	Thursday: Reading Summary	Human Capital Theory  "Discounting, external effects, and the future of the planet" Section 9.5 of <i>The Economy 2.0: Microeconomics</i>	Returns to Education Evidence, College-Going Interventions Discussion  Marginal Effects of Merit Aid for Low-Income Students, Joshua Angrist, David Autor, Amanda Pallais, <i>The Quarterly Journal of Economics</i> , Volume 137, Issue 2, May 2022, Pages 1039–1090.



Week/Date	Due this week	Tuesday Lecture, Readings	Thursday Lecture, Readings
Week 13 April 16, 18	Tuesday: Problem Set 5  Thursday: Reading Summary	Immigration and Intergenerational Mobility  <b>No Reading Summary:</b> Race and Economic Opportunity in the United States, Non-Technical Summary (available at opportunityinsights.org), Raj Chetty, Nathaniel Hendren, Maggie Jones, and Sonya Porter	Discrimination Theory  Althoff, Lukas, and Hugo Reichardt. "Jim Crow and Black economic progress after slavery." <i>Manuscript, Princeton University</i> (2022).
Week 14 April 23, 25	Tuesday: Reading Summary  Thursday: Problem Set 6, Reading Summary	Discrimination Evidence, Lakisha and Jamal Discussion, PS5 Solutions  Bertrand, Marianne, and Sendhil Mullainathan. "Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination." <i>American economic review</i> 94, no. 4 (2004): 991-1013.	Discrimination Evidence, Spriggs' Letter Discussion  Spriggs, William. "Is now a teachable moment for economists? An open letter to economists from Bill Spriggs." (2020).
Week 15 April 30		Conclusion, PS6 Solutions, Final Exam Review	Semester ends May 1, no lecture on Thursday



FUN FACT: DECADES FROM NOW, WITH SCHOOL A DISTANT MEMORY, YOU'LL STILL BE HAVING THIS DREAM.