

Central European University  
Department of Economics

1. **Name of the Course:** LABOR ECONOMICS
2. **Lecturer:** John Sutherland Earle ((Nádor 11 utca, Rm. 415, Tel: 327-3229, [earlej@ceu.hu](mailto:earlej@ceu.hu), office hours: Mon 3-5, and by appointment) and Álmos Telegdy (Nádor 11 utca, Rm. 415, Tel: 327-3234, [telegdya@ceu.hu](mailto:telegdya@ceu.hu), office hours: Tue 3-5, and by appointment).
3. **Number of credits:** 4 (8 EST credits).
4. **Semester of time period of the course:** spring term, 2008/2009 academic year.
5. **Pre-requisites:** Core Microeconomics, Core Econometrics.
6. **Course level:** MA course.
7. **Course outline:** The field of Labor Economics applies microeconomic analysis to important social issues and public policies involving employment, wages, working conditions, and unemployment. A partial list of issues and policies would include poverty, welfare policy, minimum wages, overtime rules, layoff restrictions, education, job safety, entrepreneurship, wage subsidies gender and racial discrimination, immigration and internal migration, labor relations, unions and other institutions, division of labor within families, unemployment insurance, and income inequality.
8. **The goals of the course:** To introduce MA students to standard topics in the field, while a secondary goal is to study labor economics research on the particular problems of labor markets in transition economies, with the aim of encouraging research interest. The course is a prerequisite for MA students interested in taking the PhD course in Labor Economics.
9. **The learning outcomes of the course:** Ability to understand labor markets and the effects of labor market policies; to understand basic models that describe the labor market and policy effects; to understand empirical microeconomic research on labor markets.
10. **More detailed display of contents:**
  - Methods of analysis and overview
  - Demand for labor services
  - Supply of labor services
  - Job reallocation and worker mobility
  - Wage differentials: human capital, compensating differentials, discrimination
  - Wage differentials: industry, ownership
  - Displaced workers and unemployment
11. **Assessment:** Course requirements include a midterm examination, an empirical project, and a comprehensive final examination. The midterm will be held in the class of 13 May and will count 15

percent of the final grade. The final exam will be held during the week scheduled for this purpose (the department will announce the exact date) and the score will count for 50 percent of the course grade. The purpose of the empirical project is to provide an opportunity for students to experience research using microdata, and the project deliverables consist of a very short research prospectus and short final paper, with weights of 5 and 30 percent and due dates of May 18 and June 8, respectively. The analysis will involve application of a standard technique in labor economics, such as estimating the return to schooling, the gender gap in earnings, the pace of job reallocation, the determinants of worker mobility, etc. More information on the project will be provided early in the term.

In addition to these requirements, some discussion questions will be distributed roughly sometime in the middle and again towards the end of the course. The purpose of these question sets is to stimulate additional thinking about the course topics, but there is no requirement that the answers be turned in (nor will they be graded). The style of questions will be similar to those that will appear on the examinations. Some class time will be set aside for going over these questions.

12. **Reading list:** No textbook is fully appropriate for the level and topics of this course, but we draw upon Derek Bosworth, Peter Dawkins, and Thorsten Stromback, *The Economics of the Labour Market*, Addison Wesley Longman, 1996 (referred to below as “BDS”). More importantly, we will be studying a number of articles from the professional literature, also listed below. Photocopies of the "required" readings (indicated with “\*”) will be made available from the department, while other, "optional" articles are included to encourage interested students to pursue particular interests. Most of the published papers can be obtained from the CEU library (or jstor.org), and most working papers can be obtained over the internet (ssrn.com, upjohn.org, iza.org); if these should fail, the instructors' copies may be loaned out.

### **I. Methods of Analysis and Overview (1 lecture)**

\*BDS, Chapter 1, 27.1-27.3.

Bureau of Labor Statistics, "Regional and state employment and unemployment: February 2009," <http://www.bls.gov/news.release/pdf/laus.pdf>.

Hungarian Statistical Office, "Employment and unemployment December 2008–February 2009," <http://portal.ksh.hu/pls/ksh/docs/eng/xftp/gyor/fog/efog20902.pdf>

Guillard, Marie-Claire, "A Visual Essay: International Labor Market Comparisons," *Monthly Labor Review*, April 2006.

### **II. Demand for Labor Services (5 lectures)**

\*Hamermesh, Daniel, *Labor Demand*. New Jersey: Princeton University Press, 1993, pp. 17-25, 44-52.

\*Addison, John, Lutz Bellman, Thorsten Schank, and Paulino Teixeira "The Demand for Labor: An Analysis Using Matched Employer-Employee Data from the German LIAB: Will the High Unskilled Worker Own-Wage Elasticity Please Stand Up?" *Journal of Labor Research* 29(2), 114-137, 2008.

\*Basu, Swati, Saul Estrin, and Jan Svejnar, "Employment Determination in Enterprises under Communism and in Transition: Evidence from Central Europe," *Industrial and Labor Relations Review*, Vol. 58(5), 353-369, April 2005.

Revenge, Ana L., "Exporting Jobs?: The Impact of Import Competition on Employment and Wages in U.S. Manufacturing." *Quarterly Journal of Economics*, Vol. 107(1), 255-284, February 1992.

Christev, Atanas, and Felix FitzRoy, "Employment and Wage Adjustment: Insider-Outsider Control in a Polish Privatization Panel Study." *Journal of Comparative Economics*, Vol. 30, 251-275, 2002.

### **III. Supply of Labor Services (4 lectures)**

\*BDS, Chapters 3.1 – 3.7, 5.1 – 5.5.

\*Blau, Francine, and Lawrence Kahn, "Changes in the Labor Supply Behavior of Married Women: 1980-2000." *Journal of Labor Economics* 25(3), 393-438, 2007.

Killingsworth, Mark, *Labor Supply*, Cambridge: Cambridge University Press, 1983, pp. 1-45, 67-87, 106-9, 130-50.

Juhn, Chinhui, "Decline of Male Labor Market Participation: The Role of Declining Market Opportunities." *Quarterly Journal of Economics*, Vol. 107(1), 79-121, February 1992.

Bonin, Holger, and Rob Euwals, "Labor Supply Preferences of East German Women after German Unification," WDI Working Paper, December 2001.

Kolev, Alexandre, and Anne Pascal, "What Keeps Pensioners at Work in Russia Evidence from Household Panel Data." *Economics of Transition*, Vol. 10(1), 29-53, 2002.

\*Lokshin, Michael, "Household Childcare Choices and Women's Work Behavior in Russia," *Journal of Human Resources*, Vol. 39(4), 1094-1115, 2004.

Lokshin, Michael, and Monica Fong, "Women's Labour Force Participation and Child Care in Romania." *Journal of Development Studies* 42(1), 90-109, 2006.

Saget, Catherine, "The Determinants of Female Labor Supply in Hungary," *Economics of Transition*, Vol. 7(3), 575-91, 1999.

### **IV. Job Reallocation and Worker Mobility (2 lectures)**

\*Bartelsman, Eric, John Haltiwanger, and Stefano Scarpetta, "Microeconomic Evidence of Creative Destruction in Industrial and Developing Countries." Working paper, October 2004.

Brown, J. David, and John S. Earle, "Gross Job Flows in Russian Industry Before and After Reforms: Has Destruction Become More Creative?" *Journal of Comparative Economics*, Vol. 30(1), March 2002.

Comander, Simon and János Köllő, "The Changing Demand for Skills: Evidence from the Transition." *Economics of Transition* 16(2), 199-221, 2008.

Haltiwanger, John C., and Milan Vodopivec, "Gross Worker and Job Flows in a Transition Economy: An Analysis of Estonia." *Labour Economics*, Vol. 9(5), 601-630, November 2002.

Haltiwanger, John C., and Milan Vodopivec, "Worker Flows, Job Flows, and Firm Wage Policies: An Analysis of Slovenia," *Economics of Transition*, Vol. 11(2), 2003.

Konings, Jozef, Hartmut Lehmann, and Mark Schaffer, "Job Creation and Job Destruction in a Transition Economy: Ownership, Firm Size, and Gross Job Flows in Polish Manufacturing, 1988-91," *Labour Economics*, Vol. 3(3), October 1996.

Lehmann, Hartmut and Wadsworth, Jonathan, "Tenures That Shook the World: Worker Turnover in Russia, Poland, and Britain." *Journal of Comparative Economics*, Vol. 28(4), 639-664, December 2000.

Sabirianova, Klara Z., "The Great Human Capital Reallocation: A Study of Occupational Mobility in Transitional Russia." *Journal of Comparative Economics*, Vol. 30(1), 191-217, March 2002.

Sorm, Vit, and Katherine Terrell, "Sectoral Restructuring and Labor Mobility: A Comparative Look at the Czech Republic," *Journal of Comparative Economics*, Vol. 28, 431-55, 2000.

## **V. Wage Differentials: Human Capital, Compensating Differentials, Discrimination (5 lectures)**

\*BDS, Chapters 16, 24.2, 26.3.2.

Andren, Daniela, John S. Earle and Dana Sapatoru, "The Wage Effects of Schooling under Socialism and in Transition: Evidence from Romania, 1950-2000," *Journal of Comparative Economics*, Vol. 33(2), June 2005: 300-323.

\*Berger, Mark, Glenn C. Blomquist, and Klara Sabirianova Peter, "Compensating Differentials in Emerging Labor and Housing Markets: Estimates of Quality of Life in Russian Cities." *Journal of Urban Economics* 63(1), 25-55, 2008.

\*Brainerd, Elizabeth, "Women in Transition: Changes in Gender Wage Differentials in Eastern Europe and the Former Soviet Union," *Industrial and Labor Relations Review*, Vol. 54(1), 138-62, October 2000.

Campos, Nauro, and Dean Jolliffe, "Earnings, Schooling and Economic Reform: New Econometric Evidence from Hungary (1986-2004)." *World Bank Economic Review* 21(3), 509-526, 2007.

Chase, Robert, "Markets for Communist Human Capital: Returns to Education and Experience in the Czech Republic and Slovakia," *Industrial and Labor Relations Review*, Vol. 51 (3), April 1998.

Flanagan, Robert J., "Were Communists Good Human Capitalists? The Case of the Czech Republic," *Labour Economics*, Vol. 5, 295-312, 1998.

Ganguli, Ina, and Katherine Terrell, "Institutions, Markets and Men's and Women's Wage Inequality: Evidence from Ukraine." *Journal of Comparative Economics* 34(2), 200-227, 2006.

\*Hazans, Mihails, Ija Trapeznikova, and Olga Rastrigina, "Ethnic and Parental Effects on Schooling Outcomes before and during the Transition: Evidence from the Baltic Countries." *Journal of Population Economics* 21(3), 719-749, 2008.

Hunt, Jennifer, "The Transition in East Germany: When is a Ten-Point Fall in the Gender Wage Gap Bad News?" *Journal of Labor Economics*, Vol. 20/1: 148-69, 2002.

Jolliffe, Dean, "The Gender Wage Gap in Bulgaria: A Semiparametric Estimation of Discrimination," *Journal of Comparative Economics*, 30, 276-295, 2002.

Jones, Derek C. and Kosali Ilayperuma Simon, "Wage Determination Under Plan and Early Transition: Bulgarian Evidence Using Matched Employer-Employee Data," *Journal of Comparative Economics*, Vol. 33, 2005: 227-243.

Jurajda, Stepan, "Gender Wage and Segregation in Enterprises and the Public Sector in Late Transition Countries," *Journal of Comparative Economics*, 31, 199-222, 2003.

Kazakova, Elena, "Wages in Growing Russia: When is a 10 Percent Rise in the Gender Wage Gap Good News?" *Economics of Transition* 15(2), 368-392, 2007.

\*Keane, Michael and Eswar S. Prasad, "Changes in the Structure of Earnings During the Polish Transition," *Journal of Development Economics*, Vol. 80, 2006: 389-427.

Kertesi, Gábor and János Köllő, "Economic Transformation and the Revaluation of Human Capital – Hungary, 1986 – 1999," *Research in Labor Economics*, Vol. 20, 2002.

\*Loury, Glen, *The Anatomy of Racial Inequality*, Cambridge: Harvard University Press, chapter 2.

\*Munich, Daniel, Jan Svejnar, and Katherine Terrell, "Returns to Human Capital under the Communist Wage Grid and During the Transition to a Market Economy," *Review of Economics and Statistics*, Vol. 83(1), 100-123, 2005.

Muravyev, Alexander, "Human capital externalities. Evidence from the transition economy of Russia." *The Economics of Transition* 16(3), 415-443, 2008.

Ogloblin, Constantin, "The Gender Earnings Differential in the Russian Transition Economy," *Industrial and Labor Relations Review*, Vol. 52(4), 602-27, July 1999.

Orazem, Peter and Milan Vodopivec, "Male-Female Differences in Labor Market Outcomes During the Early Transition to Market: The Cases of Estonia and Slovenia," *Journal of Population Economics*, Vol. 13, 283-303, 2000.

Orazem, Peter F., and Milan Vodopivec, "Value of Human Capital in Transition to Market: Evidence from Slovenia," *European Economic Review*, Vol. 41 (3-5), April 1997, pp. 893-903.

Sabirianova Peter, Klara, "Skill-Biased Transition: The Role of Markets, Institutions and Technological Change," IZA Discussion Paper No. 893, October 2003.

## **VII. Wage Differentials II: Industry and Ownership (3 lectures)**

\*BDS, Chapter 22

Almeida Rita, "The Labor Market Effects of Foreign Owned Firms." *Journal of International Economics* 72, 75-96, 2007.

Heyman, Fredrik, Fredrik Sjöholm, and Patric Gustavsson Tingvall, "Is there Really a Foreign Ownership Wage Premium? Evidence from Matched Employer-Employee Data." *Journal of International Economics* 73, 355-376, 2007.

\*Huttunen, Kristiina, "The Effect of Foreign Acquisition on Employment and Wages: Evidence from Finnish Establishments." *The Review of Economics and Statistics* 89, 497-509, 2007.

\*Krueger, Alan B. and Lawrence H. Summers, "Efficiency Wages and the Inter-Industry Wage Structure," *Econometrica*, 56(2), 259-293, March 1988.

Goux, Dominique and Eric Maurin, "Persistence of Interindustry Wage Differentials: A Reexamination Using Matched Worker-Firm Panel Data," *Journal of Labor Economics*, 17(3), 492-533, 1999.

\*Brown, J. David, John S. Earle, and Almos Telegdy, "Employment and Wage Effects of Privatisation: Evidence from Hungary, Romania, Russia, and Ukraine," *Economic Journal*, forthcoming.

## **VI. Displaced Workers and Unemployment (3 lectures)**

\*BDS, Chapter 28.6.

Boeri, Tito, "Learning from Transition Economies: Assessing Labor Market Policies across Central and Eastern Europe," *Journal of Comparative Economics*, 25, 1997.

Ham, John C., Jan Svejnar, and Katherine Terrell, "Unemployment and the Social Safety Net During Transitions to a Market Economy: Evidence from the Czech and Slovak Republics," *American Economic Review*, Vol. 88(5), 1117-1142, December 1998.

\*Jacobson, Louis, Robert LaLonde, and Daniel Sullivan, "Earnings Losses of Displaced Workers," *American Economic Review*, 83(4), 685-709, November-December 1993.

\*Kletzer, Lori, "Job Displacement," *Journal of Economic Perspectives*, Vol. 21(1), Winter 1998.

Lehmann, Hartmut, Kaia Phillips, and Jonathan Wadsworth, "The Incidence and Cost of Job Loss in Estonia," *Journal of Comparative Economics*, 33(1), 59-87, March 2005.

Munich, Daniel, and Jan Svejnar, "Unemployment in East and West Europe." *Labour Economics* 14, 681-694, 2007.

Orazem, Peter, Milan Vodopivec, and Ruth Wu, "Worker Displacement During the Transition: Experience from Slovenia." *Economics of Transition*, 13(2), 311-340, 2005.

\*van Ours, Jan C. and Milan Vodopivec, "How Shortening the Potential Duration of Unemployment Benefits Affects the Duration of Unemployment: Evidence from a Natural Experiment," *Journal of Labor Economics*, Vol. 26(2), 2006: 351-378.

van Ours, Jan C. and Milan Vodopivec, "Does Reducing Unemployment Insurance Generosity Reduce Job Match Quality?" *Journal of Public Economics* 92, 684-695, 2008.