

McGill University
Department of Economics

ECON426: Labour Economics
Fall 2020

Instructor Contact Information:

Prof. Sonia Laszlo

LEA 526, Tel.: 398-2102

sonia.laszlo@mcgill.ca (Please see my e-mail policy below)Virtual Office hours: Thursdays 1:00pm-3:00pm on Zoom starting Thursday September 10th, or by appointment**Regular Classes: Times:** Tuesdays and Thursdays 8:35am-9:55am (Montreal time). **Room:** Zoom via MyCourses**Teaching Assistant (TA):** Yaya Diallo (mamadou.y.diallo@mcgill.ca)

Virtual Office Hours: Fridays from 11:00am to 1:00pm (details to be announced on MyCourses)

Conferences: In class (see page 5) and TBD

Prerequisites: ECON 230D1/D2 or ECON 250D1/D2 or ECON 306D1/D2.**Course Description (e-calendar):**

The determinants of labour supply, demand and the structure of earnings are considered. The economic effects of government policies, such as minimum wage laws, unemployment insurance, welfare and training programs and subsidies to higher education are analyzed. A rigorous theoretical and "hands on" empirical approach is emphasized.

Addendum: The COVID-19 pandemic has had historic impacts on the labour market issues that this course explores. We will thus, when and where possible, apply the tools we learn in class to this current labour market crisis.

Course Evaluations:

Quizzes (6/8) = 30% (5% each) (Sept 21^{st*}, Sept 29th, Oct 6th, Oct 13th, Oct 22nd, Oct 29th, Nov 10th, Nov 19th)

* Note Sept 21 is a Monday – all other quizzes are due on a scheduled lecture date

These are due no later than 5pm Montreal time on their due dates.

Group Contracts = 5% (due October 1st) due no later than 5pm Montreal time

Group problem sets (2) = 30% (15% each) (Oct 15^{th**}, Dec 3rd)

These are due no later than 5pm Montreal

** Part of the first problem set will contain a group contract, which is due on Oct 1st

Final take-home exam = 35% (Date TBA)

There will be a supplemental examination which will be worth 100% of your final grade.

Instructional Methods:

- Remote delivery of this course will include a mixture of fixed and flexible formats. There will be pre-recorded lectures going over the textbook material, which will be available prior to class time for your review.
- Class time will either be a conference (not recorded) or a fixed session (recorded).
- Conferences will review core concepts from the pre-recorded lectures and take questions and answer. Time will also be allocated to group work to give you an opportunity to work with your team on the group assignments – this will be done through Zoom breakout rooms.

- Fixed sessions will be live sessions where we will discuss the assigned journal article(s) and the COVID-19 related labour market issues.
- This course is designed in such a way that it is imperative for you to be on top of readings and recordings on schedule.
- The calendar on page 5 indicates when the class time is dedicated to the conference, and which to a fixed lecture. Please keep informed on MyCourses for any changes.
- Because these are uncertain times, some deviation to the calendar between conferences and fixed lectures may be necessary and if so they will be announced on MyCourses.

Description of Course Evaluations (All quizzes and assignments will be submitted via MyCourses):

Quizzes (Submit only 6, 5% each, total 30%): Quizzes will be a set of questions related to an assigned paper. These will be available for 48 hours before the due date. The objective of this evaluation format is to encourage you to do the readings in advance of class and to help call your attention to some of the key contributions of the paper and how they relate to the lecture material. While these are scientific papers, with maths and econometrics, you will not be asked to derive either maths or econometric relationships. The quizzes are intended to train your ability to interpret results of these papers, as well as to give you the opportunity to give me feedback about what you would like to see explained in more detail about the paper in class. We will review one in class (Farber, 2015) before any of the quizzes, to give you a taste. You do not have to do all 8 – we will grade only the first 6 that you complete.

Group problem sets (Submit both, 15% each + contract 5%, Total 35%):

These problem sets will have two main components – the first is to get practice solving problems, the second is to dig down deeper into a scholarly paper. The first problem set will cover labour supply (basics, policy, life-cycle) and labour demand, as well as the paper by Aguiar et al. (2018). The second problem set will cover labour demand (extensions), labour market equilibrium, human capital, immigration and the gender pay gap, as well as the paper by Cook et al. (2020). We will allocate time for in-class group work (using the Zoom breakout rooms feature) so that you can meet your group members, at the very minimum to help you find additional times to meet to work through the problem sets.

Schedule:

- Sept 22nd: Group composition (same for both problem sets) and Problem Set 1 will be distributed to students
- Oct 1st: Group contract due (no later than 5pm, Montreal time)
- Oct 15th: Problem Set #1 due (no later than 5pm, Montreal time)
- Nov 17th: Problem Set #2 will be distributed to students
- Dec 3rd: Problem Set #2 due (no later than 5pm, Montreal time)
- Dec 3rd: Peer-assessment due (no later than 5pm, Montreal time)

Peer Assessment will take your self-assessment and your team members' assessment of your contributions to the two problem sets along the following dimensions: the effort you put into the collaboration (meeting, following up, complying with your team agreement), your collegiality, shared responsibility, your preparation. Clear guidelines will be distributed on September 22.

IMPORTANT: Grading the group work: 95% of the grade for the group project will be determined by me and will apply to the group. The remaining 5% will be determined by an anonymous Peer Assessment exercise. Your *individual* grade for the group project will thus be:

$$0.95 \times \text{team problem set grade} + .05 \times \text{individual average of self and peer assessments}$$

Where:

$$\text{Team problem set grade} = \text{grade for contract} + \text{grade for PS1} + \text{grade for PS2}$$

Final Take Home Exam (35%, Date TBA)

You will have 72 hours to complete this open book take-home exam, which will follow a format very similar to the problem sets.

Late submissions: Problem sets and final take-home exam will have a penalty of 5% per day

Missed quizzes: Since you only need to complete 6 out of the 8 assigned, missing one or two is inconsequential. However, should you miss more than 2 quizzes, there will not be any opportunity for retaking them. If you miss more than 2, I will reweight the remaining quizzes accordingly, but if and only if I obtain a valid medical note for the missed quiz.

READINGS:

*: required

** : will be covered in a problem set

§: COVID-19 related reading (optional) – These papers have been selected to illustrate some of the key concepts from the course and how they can be applied to and explain the current COVID-19 crisis. **N.B.** *given the rapid pace of research on the labour market economic impacts of the pandemic, these are subject to change, addition, removal as new evidence may come to light.*

Required Text: Benjamin, Dwayne, Morley Gunderson, Thomas Lemieux and W. Craig Riddell, Labour Market Economics – Theory, Evidence and Policy in Canada, Eighth Edition, Toronto: McGraw Hill Ryerson, 2017. Henceforth (BGLR). Available as an e-book (\$59.99+ tax for 180 day access) here: <https://leJames.ca/labour-market-economics-ebook-180-days>.

All other readings which are hyperlinked below are available through the McGill library website using your VPN connection. Alternatively, these are accessible through Google Scholar but to obtain access, you need to set up google scholar to access gated items. To learn how, please see: <https://www.mcgill.ca/library/services/connect/google-scholar>.

Topic 1: Labour Supply – the Basics

*BGLR Chapter 2

*Farber, Henry. 2015. "[Why you can't find a taxi in the rain and other labor supply lessons from cab drivers](#)" *Quarterly Journal of Economics* Vol. 130 (4): 1975-2026.

**Aguiar, Mark, Mark Bills, Kerwin Kofi Charles, Erik Hurst. 2017. "[Leisure luxuries and the labour supply of young men](#)" NBER Working Paper #23552.

Topic 2: Labour Supply – Policy

*BGLR Chapter 3

*Baker, Michael, Jonathan Gruber, and Kevin Milligan. 2019. "[The long run impact of a Universal Child Care program](#)" *American Economic Journal: Economic Policy* Vol. 11 (3): 1-26

§Petit, Gillian, and Lindsay Tedds. 2020 "[The Effect of Differences in Treatment of the Canada Emergency Response Benefit across Provincial and Territorial Income Assistance Programs](#)" *Canadian Public Policy* Vol. 46 (S1):S29-S43

Topic 3: Labour Supply – Life-Cycle

*BGLR Chapter 4

*Bailey, Martha. 2006. "[More Power to the Pill: the impact of contraceptive freedom on women's life-cycle labor supply](#)" *Quarterly Journal of Economics* Vol 121 (1): 289-320.

§Qian, Yue and Sylvia Fuller. 2020. "[COVID-19 and the Gender Employment Gap among Parents of Young Children](#)" *Canadian Public Policy* Vol. 46 (S2): S89-S101

Topic 4: Labour Demand

*BGLR Chapter 5

*Lichter, Andreas, Andreas Peichl, Sebastian Sieglöcher. 2015 "[The own-wage elasticity of labor demand: A meta-regression analysis](#)" *European Economic Review* Vol. 80: 94-119

Topic 5: Labour Demand – Extensions

*BGLR Chapter 6

*Saez, Emmanuel, Benjamin Schoefer, and David Seim. 2019. "[Payroll Taxes, Firm Behavior, and Rent Sharing: Evidence from a Young Workers' Tax Cut in Sweden](#)" *American Economic Review* Vol. 109 (5): 1717-1763

§ Giupponi, Giulia and Camille Landais. 2020. "[Subsidizing Labor Hoarding in Recessions: The Employment & Welfare Effects of Short Time Work](#)" Working Paper.

Topic 6: Labour Market Equilibrium

*BGLR Chapter 7

*Cengiz, Doruk, Arindrajit Dube, Attila Lindner, Ben Zipperer. 2019. "[The Effect of Minimum Wages on Low-Wage Jobs](#)" *Quarterly Journal of Economics* Vol 134 (3): 1405-1454.

§ Lemieux, Thomas, Kevin Milligan, Tammy Schirle and Mikal Skuterud. 2020. "[Initial Impacts of the COVID-19 Pandemic on the Canadian Labour Market](#)" *Canadian Public Policy* Vol 46 (S1): S55-65.

Topic 7: Human Capital

*BGLR Chapter 9

*Oreopoulos, Philip, Till von Wachter, and Andrew Heisz. 2012. "[The Short- and Long-Term Career Effects of Graduating in a Recession](#)" *American Economic Journal: Applied Economics* Vol. 4(1): 1–29

§ Frenette, Mark, Derek Messacar, and Tomasz Handler. 2020. "[Potential Earnings Losses among High School and Postsecondary Graduates Due to the COVID-19 Economic Downturn.](#)" *Economic Insights*. Statistics Canada Catalogue no. 11-626-X. Ottawa: Statistics Canada.

Topic 8: Immigration

*BGLR Chapter 11

* Clemens, Michael and Jennifer Hunt. 2019. "[The Labor Market Effects of Refugee Waves: Reconciling Conflicting Results](#)" *ILR Review* Vol. 72 (4): 818-857.

Topic 9: Gender Wage Gap:

*BGLR Chapter 12

* Fortin, Nicole. 2019. "[Increasing earnings inequality and the gender pay gap in Canada: Prospects for convergence](#)" *Canadian Journal of Economics* Vol. 51(2): 407-440.

** Cook, Cody, Rebecca Diamond, Jonathan Hall, John List, and Paul Oyer. 2018. "[The Gender Earnings Gap in the Gig Economy: Evidence from over a Million Rideshare Drivers](#)" NBER Working Paper #24732.

§ Alon, Titan, Matthias Doepke, Jane Olmstead-Rumsey, and Michèle Tertilt. 2020. "[This Time It's Different: The Role of Women's Employment in a Pandemic Recession](#)" NBER Working Paper #27660

PRELIMINARY COURSE OUTLINE, READING, LECTURE AND CONFERENCE SCHEDULE:

Date	Topic	Required Readings before class	During 8:30-10:00 slot
03-Sep	Welcome	Chp 1 (on your own)	Review course outline
08-Sep	Labour Supply Basics	Chp 2, Topic 1 recording	CONF: Review key concepts
10-Sep	Labour Supply Basics	Chp 1 appendix + handout	FIXED: Regression analysis basics
15-Sep	Labour Supply Basics	Chp 2, Farber (2015)	FIXED: Farber (2015)
17-Sep	Labour Supply - Policy	Chp 3, Topic 2 recording	CONF: review key concepts
22-Sep	Labour Supply - Policy	Chp 3, Baker et al. (2019)	FIXED: Baker et al (2019) & Group work
24-Sep	Labour Supply - Policy	Chp 3	FIXED: Petit and Tedds (2020)
29-Sep	Labour Supply - Life-cycle	Chp 4, Topic 3 recording	CONF: review key concepts & Group work
01-Oct	Labour Supply - Life-cycle	Chp 4, Bailey (2006)	FIXED: Bailey (2006) & Yue and Fuller (2020)
06-Oct	Labour Demand	Chp 5, Topic 4 recording	CONF: review key concepts, group work
08-Oct	Labour Demand	Chp 5, Lichter et al. (2015)	FIXED: Lichter et al. (2015)
13-Oct	Labour Demand	Chp 5,	CONF: review key concepts, group work
15-Oct	Labour Demand - Extensions	Chp 6, Saez et al. (2019), Topic 5 recording	FIXED: Saez et al. (2019)
20-Oct	Labour Demand - Extensions	Chp 6	FIXED: Giuppone and Landais (2020)
22-Oct	Labour Market Equilibrium	Chp 7, Topic 6 recording	CONF: review key concepts
27-Oct	Labour Market Equilibrium	Chp 7, Cenzig et al. (2019)	FIXED: Cenzig et al. (2019)
29-Oct	Human Capital	Chp 9, Topic 7 recording	CONF: review key concepts, & PS1 solutions
03-Nov	Human Capital	Chp 9, Oreopoulos et al. (2012)	FIXED: Oreopoulos et al. (2012)
05-Nov	Human Capital	Chp 9	FIXED: Frenette et al. (2020)
10-Nov	Immigration	Chp 11, Topic 8 recording	CONF: review key concepts
12-Nov	Immigration	Chp 11, Clemens and Hunt (2019)	FIXED: Clemens and Hunt (2019)
17-Nov	Immigration	Chp 11	CONF: review key concepts, group work
19-Nov	Gender pay gap	Chp 12, Topic 9 recording	CONF: review key concepts, group work
24-Nov	Gender pay gap	Chp 12, Fortin (2019)	FIXED: Fortin (2019)
26-Nov	Gender pay gap	Chp 12	FIXED: Alon et al. (2020)
03-Dec	Review	--	

Notes:

- Topics might spill over from one lecture/week to the next if necessary
- Some of the (optional) readings may be updated due to the rapidly evolving changes in the labour market.
- The instructor maintains discretion regarding changes in this outline
- Dates of class assignments in a separate table
- Formats: CONF - conference; FIXED - Lecture. Only FIXED formats will be recorded

Key dates:

- Sept 17th: Add/Drop Deadline
- Nov 1st: Change to Eastern Standard Time

TA Conferences: TA conferences will take place during lecture times as in the schedule above. In addition, the TA will hold 1 additional conference per week at a different date and time TBD to review class materials and take questions and answers. Conferences will not be recorded.

Learning Outcomes: By the end of this semester, students in this class will:

- Understand the determinants of labour supply.
- Understand the determinants of labour demand.
- Understand how the labour market equilibrium is determined.
- Gain proficiency in analysing the impacts of key labour policies
- Be able to read and interpret labour economics research papers.
- Be knowledgeable about the key theories of and empirical evidence on selected labour economics topics such as human capital, immigration and the gender gap

Expectations for Student Participation:

- It is important for you to attend the fixed lectures, even though they will be recorded and put on *MyCourses*.
- I encourage you to participate during classes and to ask questions. You may have your camera on or off, which is up to you, but ask your question live via audio (not through the chat feature)
- You should use the “raise hand” feature in Zoom.
- I will not use the chat feature in Zoom, but may revisit this decision over the course of the term
- A discussion page will be made available on *MyCourses* as well.
- During fixed sessions, while I do not ask you to have your camera on, I do expect you do have your McGill recognized name.

Recording of sessions:

Please read the Guidelines on Remote Teaching and Learning [<https://www.mcgill.ca/tls/instructors/class-disruption/strategies/guidelines-remote>] and the course outline for this course in myCourses. You will be notified through a ‘pop-up’ box in Zoom if a lecture or portion of a class is being recorded. By remaining in sessions that are recorded, you agree to the recording, and you understand that your image, voice, and name may be disclosed to classmates. You also understand that recordings will be made available in myCourses to students registered in the course.

MyCourses:

- This course utilizes *MyCourses* for course management and posting of relevant materials. Please check the website on a regular basis for announcements.
- **It is your responsibility to stay well-informed of course management and announcements on *MyCourses*.**

Academic Policies:

- **Academic Integrity:** *McGill University values academic integrity. Therefore all students must understand the meaning and consequences of cheating, plagiarism and other academic offences under the Code of Student Conduct and Disciplinary Procedures (see www.mcgill.ca/students/srr for more information).*

L'université McGill attache une haute importance à l'honnêteté académique. Il incombe par conséquent à tous les étudiants de comprendre ce que l'on entend par tricherie, plagiat et autres infractions académiques, ainsi que les conséquences que peuvent avoir de telles actions, selon le Code de conduite de l'étudiant et des procédures disciplinaires (pour de plus amples renseignements, veuillez consulter le site www.mcgill.ca/students/srr).

- **A Note about the final exam:** *According to Senate regulations, instructors are not permitted to make special arrangements for final exams. Please consult the Calendar, section 4.7.2.1, General University Information and Regulations at www.mcgill.ca.*
- **Copyright of course materials:** © Instructor generated course materials (e.g., handouts, notes, summaries, exam questions, etc.) are protected by law and may not be copied or distributed in any form or in any medium without

explicit permission of the instructor. Note that infringements of copyright can be subject to follow up by the University under the Code of Student Conduct and Disciplinary Procedures.

- In accord with McGill University's Charter of Students' Rights, students in this course have the right to submit in English or in French any written work that is to be graded.
- As the instructor of this course I endeavor to provide an inclusive learning environment. However, if you experience barriers to learning in this course, do not hesitate to discuss them with me and the Office for Students with Disabilities, 514-398-6009.
- Additional policies governing academic issues which affect students can be found in the McGill Charter of Students' Rights (online at <http://ww2.mcgill.ca/students-handbook/chapter1.html>)

My e-mail policy: I will try to reply to your e-mail within 48 hours. However, given the large number of students in all my classes, this will not always be possible. Also, please keep the e-mails short and simple:

Short e-mails to which I can answer 'yes' or 'no' will be answered more quickly.

Long e-mails that require long answers may or may not be answered, and are likely to take longer to answer. If your query is that involved, please see the TA (Yaya Diallo) or during our virtual office hours.

Please check the FAQs and the discussion page first, before you e-mail, to see if your question or concern is answered there.

My Office Hours: I will be holding office hours on Thursdays from 1:00pm to 3:00pm starting September 10 on a one-on-one, first-come first-serve basis on Zoom, or by appointment. I will post the link on Thursday afternoons for the following week.

My Re-read policy:

We understand that mistakes occasionally happen. We do our very best to ensure fair grading and to minimize errors. Nevertheless, if you disagree with the grade you have received in your quiz or problem set, you may opt to have it re-read. Before you do, please make sure you first carefully compare your answers to the solutions we provide you. To request a re-read, you must submit to me (the instructor, not the TAs) your graded assessment with a written justification for the re-read, specifying the question which you felt was incorrectly graded. I will then re-read and reassess the answer. Please note your grade may go up, down, or stay the same. I may also review the entire assessment. This written request for re-read must be submitted within 7 days of receiving the grade. Policies on final exam re-reads are determined by the Faculty of Arts.

Important Miscellanea:

- 1) **Class participation:** Class participation is encouraged. Please raise your hand if you wish to speak. Because of the class size, it will not always be possible to take up all of your questions.
- 2) **Please be considerate and cooperative with your classmates:** please arrive to class on time (preferably a few minutes before) and remain on mute unless you wish to speak.

In the event of extraordinary circumstances beyond the University's control, the content and/or evaluation scheme in this course is subject to change.

McGill University is on land which has long served as a site of meeting and exchange amongst Indigenous peoples, including the Haudenosaunee and Anishinabeg nations. We acknowledge and thank the diverse Indigenous people whose footsteps have marked this territory on which peoples of the world now gather."