

Part 2A: Signalling, Wage Structure, and Unions

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Lent Term 2019

Aims and Arrangements

This course consists of 8 lectures covering the role of education as a signalling device, the distribution of wages, and the role of wage bargaining. The lectures analyse the reasons for pay differentials in general and the increase in inequality during the past two decades. Economic models of education, search and wage bargaining will be introduced.

- Lectures: 11-12am Thursdays. Location: LBR4
- Supervisions: There will be 2 supervision exercises associated with the course. These will be posted on the course website (moodle).
- Office Hour: Friday, 11:00 - 12:30, Room 87, Economics Faculty.

Topics

1. Education as a signalling device
2. Private versus social return of education
3. Labour market discrimination: theory
4. Labour market discrimination: empiric
5. Trade unions and wage inequality
6. Minimum wages
7. Unemployment and job mobility
8. Minimum wages revisit

Textbook

- Borjas, G. (2013) Labor Economics, 6th edition

Reading by topic (preliminary; may be updated as we move along)

1. Education as a signalling device

- Borjas, Chapter 6.9
- Spence, Michael. "*Job Market Signaling*." The Quarterly Journal of Economics 87.3 (1973): 355-374.
- Tyler, John H., Richard J. Murnane, and John B. Willett. "*Estimating the labor market signaling value of the GED*." The Quarterly Journal of Economics 115.2 (2000): 431-468.
- Arcidiacono, Peter, Patrick Bayer, and Aurel Hizmo. "*Beyond signaling and human capital: Education and the revelation of ability*." American Economic Journal: Applied Economics 2.4 (2010): 76-104.
- Jepsen, Christopher, Peter Mueser, and Kenneth Troske. "*Labor market returns to the GED using regression discontinuity analysis*." Journal of Political Economy 124.3 (2016): 621-649.

2. Private versus social return of education

- Borjas, Chapter 8.8 (Human Capital Externalities)
- Lucas Jr, Robert E. "*On the mechanics of economic development*." Journal of monetary economics 22.1 (1988): 3-42.
- Acemoglu, Daron, and Joshua Angrist. *How large are the social returns to education? Evidence from compulsory schooling laws*. No. w7444. National bureau of economic research, 1999.
- Moretti, Enrico. "*Estimating the social return to higher education: evidence from longitudinal and repeated cross-sectional data*." Journal of econometrics 121.1-2 (2004): 175-212.

3. Labour market discrimination: theory

- Borjas, Chapter 9
- Altonji, J. and R. Blank "*Race and Gender in the Labor Market*" Chapter 48 in Ashenfelter and Card Handbook of Labor Economics, vol 3C (Elsevier, North Holland, Amsterdam 1999) pp. 3143-3259
- Cain, Glen. "*The Economic Analysis of Labor Market Discrimination: a Survey*" in Ashenfelter, O.C. and R. Layard, editors, Handbook of Labor Economics, North-Holland, vol 1, 1986, pp.709-730

- O'Neill, June E., and Dave M. O'Neill. "What do wage differentials tell about labor market discrimination?" In *The economics of immigration and social diversity*, pp. 293-357. Emerald Group Publishing Limited, 2006.

4. Labour market discrimination: empiric

- The same as topic 3.

5. Trade unions and wage inequality

- Borja, Chapter 10.1-10.3,10.7
- Dinlersoz, Emin, and Jeremy Greenwood. "The rise and fall of unions in the United States." *Journal of Monetary Economics* 83 (2016): 129-146.

6. Minimum wages

- Borjas, Chapter 3.10
- Card, David, and Alan B. Krueger. "Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania." *The American Economic Review* 84.4 (1994): 772-793.
- Card, David, and Alan B. Krueger. "Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania: reply." *American Economic Review* 90.5 (2000): 1397-1420.

7. Unemployment and job mobility

- Borjas, Chapter 12.1-12.5
- McCall, John Joseph. "Economics of information and job search." *The Quarterly Journal of Economics* (1970): 113-126.
- Card, David, Raj Chetty, and Andrea Weber. "Cash-on-hand and competing models of intertemporal behavior: New evidence from the labor market." *The Quarterly journal of economics* 122.4 (2007): 1511-1560.

8. Minimum wages revisit

- Lee, David S. "Wage inequality in the United States during the 1980s: Rising dispersion or falling minimum wage?" *The Quarterly Journal of Economics* 114.3 (1999): 977-1023.
- Flinn, Christopher J. "Minimum wage effects on labor market outcomes under search, matching, and endogenous contact rates." *Econometrica* 74.4 (2006): 1013-1062.

Logistics

Moodle

How to enrol to the Moodle site for the course:

1. Go to www.vle.cam.ac.uk
2. Logon to Moodle using your Raven account
3. Go to Site home (a clickable link in the “Navigation” block of the interface)
4. Select category “Economics, Faculty of”
5. Select “Economics Tripos - Part IIA”
6. Select “Paper 7, Labour”