Economics and Demographics of Labor Markets Fall 2012

Professor Doug Kruse Office: Levin 205

Phone: 848-445-5991, 732-932-1744 E-mail: kruse@smlr.rutgers.edu

This course focuses on how labor markets operate, and how that relates to what goes on inside the firm. Economic logic and evidence is used to analyze employer and employee decisions, and the institutional factors shaping those decisions. The text is: Modern Labor Economics: Theory and Public Policy, by Ronald Ehrenberg and Robert Smith (New York: Prentice Hall, 11th edition). The technical appendices are not required. In addition to being available for sale, the text is on reserve at the SMLR Carey Library in the Labor Education Center. Several optional articles are also listed for each topic, which may be of particular use for those who want to do a paper in that area. The optional articles are available on the Sakai website, which can be reached by following the directions below. The optional books are available in the Rutgers libraries.

The notes for each class should be printed out and brought each week, because those will form the basis of the classroom presentation and discussion. The notes are available on-line by following these steps:

- 1. Go to http://sakai.rutgers.edu
- 2. Enter your Rutgers ID and password in the upper right corner
- 3. Click on the tab that says "38:533:565:01 F12" or "38:533:565:02 F12"
- 4. Click on "Resources" at the left
- 5. Click on the folder titled "38:533:565:01 F12 Resources"
- 6. Click on "Class notes" folder, then the file you want to download. Most of the readings are in Adobe Acrobat format. If your computer doesn't have it, you can download the reader for free at

http://www.adobe.com/products/acrobat/readstep2.html

Grades will be based on a midterm (30%), final (40%), and paper (30%). A discussion of the paper format, possible topics, and guidelines to avoid plagiarism is included in "Paper assignment," which is on the Sakai website. This will be reviewed at the start of the second class. You should hand in a hardcopy of your paper and also submit an electronic copy in the "Assignments" section of Sakai.

If you have any type of health condition or disability that requires accommodation, I will be glad to make reasonable accommodations if you provide some documentation at the beginning of the semester or as soon as the condition develops.

Week 1. Introduction, Demographic and Employment Projections

Required: Ehrenberg/Smith, Chapters 1 and 2

Optional:

- Population Projections of the United States by Age, Sex, Race, and Hispanic

 Origin: 1995 to 2050. Current Population Reports P25-1130, U.S. Bureau of the Census. Partly updated at http://www.census.gov/population/www/projections/popproj.html.
- Betty Su, "The U.S. Economy to 2018: From Recession to Recovery," Monthly Labor Review, November 2009, pp. 11-29.
- Mitra Toossi, "Labor Force Projections to 2018: Older Workers Staying More Active," <u>Monthly Labor Review</u>, November 2009, pp. 30-51.
- Rose Woods, "Industry Output and Employment Projections to 2018," <u>Monthly Labor Review</u>, November 2009, pp. 52-81.
- T. Allan Lacey and Benjamin Wright, "Occupational Employment Projections to 2018," Monthly Labor Review, November 2009, pp. 82-123.

Week 2. Employee Supply of Labor

Who participates in the labor force and why? What determines the number of hours worked?

Required: Ehrenberg/Smith, Chapter 6

Optional:

- John Zalusky, "The United States--The Sweatshop Economy: The Case for Fewer Hours of Work and More Leisure Time," <u>IRRA 45th Annual Proceedings</u>, January 1993, pp. 330-336.
- Isabel Sawhill, "From Welfare to Work: Toward a New Antipoverty Agenda," <u>The Brookings Review</u>, Vol. 17, No. 4, Fall 1999, pp. 27-30.
- Gary Burtless, "The Economist's Lament: Public Assistance in America," <u>Journal of Economic Perspectives</u>, Winter 1990, pp. 57-78.
- Judith Gueron, "Work and Welfare: Lessons on Employment Programs," <u>Journal of Economic Perspectives</u>, Winter 1990, pp. 79-98.

Week 3. Employee Supply of Labor (cont.)

What determines the split of work inside and outside the home? What affects the retirement decision?

Required: Ehrenberg/Smith, Chapter 7

Optional:

Council of Economic Advisers, "Families and the Labor Market, 1969-99: Analyzing the 'Time Crunch'", White Paper, May 1999

Peter Cattan, "Child-care Problems: An Obstacle to Work," <u>Monthly Labor</u> <u>Review</u>, October 1991, pp. 10-17.

Linda Edwards, "Are Home-Based Workers Exploited?" <u>IRRA Proceedings of the 43rd Annual Meeting</u>, December 1990, pp. 476-483.

U.S. Department of Labor, <u>Telework and the New Workplace of the 21st Century</u>, 2000. (This is a large file in two parts on Digiclass)

U.S. BLS, "Work at Home in 2004," USD 05-1768, September 22, 2005.

Douglas Kruse and Thomas Hale, "Disability and Employment: Symposium Introduction," <u>Industrial Relations</u>, Vol. 42, No. 1, January 2003.

Week 4. Employer Demand for Labor

What determines the quantity of labor purchased by a firm? What is the marginal product of labor? What is the wage elasticity of labor demand? So what?

Required: Ehrenberg/Smith, Chapter 3 pp. 59-74, and Chapter 4

Optional:

Charles Brown, "Minimum Wage Laws: Are They Overrated?" <u>Journal of Economic Perspectives</u>, Summer 1988, 133-145.

David Card and Alan Krueger, <u>Myth and Measurement: The Economics of the Minimum Wage</u> (Princeton, NJ: Princeton University Press, 1995).

Ronald Ehrenberg et al., "Review Symposium: <u>Myth and Measurement</u>", <u>Industrial and Labor Relations Review</u>, Vol. 8, No. 4, July 1995.

David Fairris and Michael Reich, "The Impacts of Living Wage Policies: Introduction to the Special Issue," <u>Industrial Relations</u>, Vol. 44, No. 1, January 2005.

Week 5. Employer Demand for Labor (cont.)

How do training costs and employee benefits affect the demand for workers? How do imports and technological change affect labor demand? Why use temporary workers? Why is there an overtime-pay premium, and what are its effects?

Required: Ehrenberg/Smith, Chapter 3 pp. 74-81, and Chapter 5

- Kathleen Barker and Kathleen Christensen, eds., <u>Contingent Work: American Employment Relations in Transition</u> (Ithaca, NY: Cornell University Press, 1998).
- Rebecca Blank, "Contingent Work in a Changing Labor Market," in Richard Freeman and Peter Gottschalk, eds., <u>Generating Jobs: How to Increase Demand for Less-Skilled Workers</u> (New York: Russell Sage Foundation, 1998), pp. 258-294.
- Charles Schultze, "Downsized and Out? Job Security and American Workers," The Brookings Review, Vol. 17, No. 4, Fall 1999, pp. 9-13.

Week 6. Education and Training

How much do worker earnings increase with extra education? Does this earnings increase reflect enhanced skills due to the education, or pre-existing skills of people who pursue more education? How are worker earnings and productivity affected by training good at any firm vs. training good at only one firm?

Required: Ehrenberg/Smith, Chapter 9

Optional:

- Council of Economic Advisers, "Work and Learning in the 21st Century," <u>Economic Report of the President</u>, 2000, Chapter 4.
- David Card and Alan Krueger, "School Resources and School Outcomes: An Overview of the Literature and New Evidence from North and South Carolina," <u>Journal of Economic Perspectives</u>, 10(4), Fall 1996, pp. 31-50.
- Andrew Weiss, "Human Capital vs. Signalling Explanations of Wages," <u>Journal of Economic Perspectives</u>, Vol. 9, No. 4, Fall 1995.
- Ann Bartel, "Productivity Gains from the Implementation of Employee Training Programs," <u>Industrial Relations</u>, October 1994, pp. 411-425.
- Lisa Lynch and Sandra Black, "Beyond the Incidence of Employer-provided Training," <u>Industrial and Labor Relations Review</u>, 52(1), October 1998, pp. 64-81.

Lisa Lynch, "Payoffs to Alternative Training Strategies at Work," in Richard Freeman, ed., Working Under Different Rules (New York: Russell Sage Foundation, 1994), pp. 63-96.

Week 7. Compensating Wage Differentials

How do working conditions, such as risk of injury, affect wages? What are the arguments for and against government regulations?

Required: Ehrenberg/Smith, Chapter 8

Optional:

James Chelius, "Workers' Compensation and Occupational Safety and Health," <u>Monthly Labor Review</u>, September 1991, pp. 22-25.

Douglas Kruse, "Supervision, Working Conditions, and the Employer Size-Wage Effect," Industrial Relations, Vol. 31, No. 2, Spring 1992, pp. 229-249.

Week 8. Midterm

Week 9. Worker Rights, Government Intervention

Required: Hand in paper prospectus

Week 10. Compensation Systems, Employee Involvement and Participation

What affects the choice of different forms of compensation: wages, piece rates, commissions, pensions, profit sharing, etc.? What are the effects of these different forms? What are the recent trends?

Required: Ehrenberg/Smith, Chapter 11

Optional:

Alan Blinder, <u>Paying for Productivity: A Look at the Evidence</u> (Washington, D.C.: Brookings Institution, 1990).

Edward Lazear, "Labor Economics and the Psychology of Organizations," <u>Journal of Economic Perspectives</u>, Spring 1991, pp. 89-110.

Douglas Kruse, "Testimony before the Subcommittee on Employee-Employer Relations, U.S. House of Representatives: Research Evidence on the Prevalence and Effects of Employee Ownership."

Joseph Blasi, Douglas Kruse, and Aaron Bernstein, <u>In the Company of Owners: The</u>
Truth About Stock Options (And Why Every Employee Should Have

Them). New York: Basic Books, 2003

Douglas Kruse and Joseph Blasi, "Employee Ownership, Employee Attitudes, and Firm Performance," <u>Handbook of Human Resource Management</u> (Greenwich, CN: JAI Press, 1997).

Margaret Blair and Douglas Kruse, "Worker Capitalists? Giving Employees an Ownership Stake," The Brookings Review, 17(4), Fall 1999.

Week 11. Discrimination

Who is discriminated against in labor markets? By whom? Has this changed over time? Is government policy effective?

Required: Ehrenberg/Smith, Chapter 12

From "Class Readings" on Digiclass:

New York Times, "Sticks and Stones Can Break Bones, but the Wrong Name can Make a Job Hard to Find," Dec. 12, 2002

New York Times, "He Dickers, She Doesn't," August 21, 2003

Optional:

- Council of Economic Advisers, "Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin," White Paper, 1999.
- Francine Blau, "Trends in the Well-Being of American Women, 1970-1995," Journal of Economic Literature, Vol. 36 (1), March 1998, pp. 112-65.
- Thomas Kochan et al., "The Effects of Diversity on Business Performance: Report of the Diversity Research Network," <u>Human Resource</u> <u>Management</u>, Vol. 42, No. 1, Spring 2003, pp. 3-21.
- Harry Holzer, "Employer Skill Demands and Labor Market Outcomes of Blacks and Women," <u>Industrial & Labor Relations Review</u>, Vol. 52 (1), October 1998, pp. 82-98.
- Harry Holzer and David Neumark, "What Does Affirmative Action Do?" <u>Industrial and Labor Relations Review</u>, January 2000.
- Marjorie Baldwin and William Johnson, "Dispelling the Myths About Work Disability," in Terry Thomason, John Burton, and Douglas Hyatt, eds., New Approaches to Disability in the Workplace (Madison, WI: Industrial Relations Research Association, 1998, pp. 39-62).
- Peter Blanck et al., "Calculating the Impact of the ADA's Employment Provisions," Stanford Law and Policy Review, Vol. 14.2, 2003.

Week 12. Unions

How do unions affect the distribution of earnings, productivity, and the status of labor? Why has the percent unionized declined in the U.S.?

Required: Ehrenberg/Smith, Chapter 13.

Optional:

Richard Freeman and James Medoff, What Do Unions Do?, New York: Basic Books, 1984.

Richard Freeman and Morris Kleiner, "Do Unions Make Enterprises Insolvent?" <u>Industrial & Labor Relations Review</u>, Vol. 52 (4). p 510-27. July 1999.

Richard Freeman and Morris Kleiner, "The Impact of New Unionization on Wages and Working Conditions," <u>Journal of Labor Economics</u>, Vol. 8, No. 1, pp. S8-S25.

Week 13. Unemployment

Who are the unemployed? Why do we have unemployment, and how can we get rid of it?

Required: Ehrenberg/Smith, Chapter 14

Optional:

Lawrence Katz and Alan Krueger, "New Trend in Unemployment? The High-Pressure U.S. Labor Market of the 1990s," <u>The Brookings Review</u>, Vol. 17., No. 4, pp. 4-8.

Bruce Katz and Katherine Allen, "Help Wanted: Connecting Inner-City Job Seekers with Suburban Jobs," <u>The Brookings Review</u>, Vol. 17., No. 4, pp. 31-35.

Week 14. Income Inequality, International Trade

What are the trends in income inequality, and what accounts for them? How does international trade affect labor markets? Are your wages set in Beijing?

Required: Ehrenberg/Smith, Chapter 14
Papers due

Optional:

Nicole Fortin and Thomas Lemieux, "Institutional Changes and Rising Wage Inequality: Is There a Linkage?" <u>Journal of Economic Perspectives</u>, Vol. 11 (2), Spring 1997, pp. 75-96.

- Peter Gottschalk, "Inequality, Income Growth, and Mobility: The Basic Facts," <u>Journal of Economic Perspectives</u>, 11(2), Spring 1997, pp. 21-40.
- George Johnson, "Changes in Income Inequality: The Role of Demand Shifts," <u>Journal of Economic Perspectives</u>, 11(2), Spring 1997, pp. 41-54.
- Richard Freeman, "Are Your Wages Set in Beijing?" <u>Journal of Economic Perspectives</u>, 9(3), Summer 1995, pages 15-32.
- Richard Freeman, "Distribution Matters" in <u>America Works: Critical Thoughts on</u>
 <u>the Exceptional U.S. Labor Market</u>. New York: Russell Sage Foundation,
 2007
- Richard Freeman, "The Great Doubling: Is Your Job Going to Bombay or Beijing?" in <u>America Works: Critical Thoughts on the Exceptional U.S.</u>
 <u>Labor Market</u>. New York: Russell Sage Foundation, 2007, pp. 128-140.
- Council of Economic Advisers, "Inequality and Economic Rewards," <u>Economic</u> Report of the President, 1997, Chapter 5.

Week 15. Final