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“A growing economy that creates good, middle-class jobs – that must be the North Star that guides our efforts. Every day, we should ask ourselves three questions as a nation: How do we attract more jobs to our shores? How do we equip our people with the skills they need to get those jobs? And how do we make sure that hard work leads to a decent living?” (B. Obama 2013)

This course develops both theoretical and empirical tools for analyzing policies affecting employment, wages, working conditions, and unemployment. A partial list of issues and policies:

- Minimum wages, mandated benefits (health insurance, parental leave)
- Welfare programs (TANF, EITC)
- Payroll tax cuts, hiring credits, and other employment policies
- Overtime rules (or other policies affecting forms of “worksharing”) and layoff restrictions
- Rising inequality: patterns and causes
- Discriminate against women, African-Americans, or other groups
- Effects of globalization (trade, outsourcing, FDI) on workers
- Migration decisions
- Effects of immigration on native workers?
- Technological change and the jobs and wages of skilled and unskilled workers
- Unemployment and effects of active labor market policies (training programs and wage subsidies) and passive policies (unemployment insurance)
- Educational choices and effects of education on earnings
- Job safety (OSHA) regulations
- Factors encouraging or inhibiting self-employment or entrepreneurship
- Union effects on wages, and why unions have declined in the US
- “Over”- or “under”-payment of public sector workers
- Corporate executive pay and incentives
- Is there a “poverty trap” and if so what can be done about it?
• Choices about marriage, divorce, child-bearing, abortion, and the division of labor within families

The learning outcomes of this course are a core set of tools for thinking about these questions, many of which are central to current policy debates and upcoming elections. The courses will allow student interests to guide our choices of specific topics, partly through student presentations and term papers.

Requirements and Grading Options

The course organization is designed to meet the needs of students with different interests and objectives. Some students may be interested in a broad understanding of labor market issues and policies with no particular specialty or emphasis during the course. Others may have a clear idea of an area where they would like to specialize and develop a deep understanding by carrying out some research of their own. Still others may prefer some combination of these: both some broad coverage and some specialization.

In order to address these diverse possibilities, the course offers a choice of requirements and grading:

1. class participation 10%, homework 20%, midterm exam 30%, final exam 40%
2. class participation 10%, homework 20%, term paper = 70%
3. class participation 10%, homework 20%, final exam = 40%, shorter term paper = 30%
4. any of these choices could be combined with a simultaneous directed reading with the instructor to earn additional credits (associated with a longer term paper)

The term paper may take one of three forms: (1) a summary of selected papers addressing a key question in labor policies (such as those on the first paper of this syllabus; (2) a replication of an empirical study of a significant labor market and policy question; (3) an original research paper (I will provide more guidance on the paper design to interested students). These papers may also be presented to the class during the last 1 or 2 meetings of the semester. The term paper topic must be agreed by October 10, and the paper itself is due December 10 (both via email to earle@gmu.edu). The final exam will be held either during the last day of class or on the day set by the registrar.

There will be several required homework sets during the semester; the lowest grade will be dropped in the calculation of the course grade. If there is sufficient interest, a “bonus” homework may also be available later in the semester.

The grading option must be decided by October 1 (by email together with the proposed term paper topic, if chosen). I am happy to provide advice and suggestions at all stages.

Students should be familiar with basic microeconomic theory (e.g., PUBP 720) and statistics (e.g., PUPB 704 or 804); please see or email me if you have any questions.

Readings

The main text is Labor Economics, by George Borjas (abbreviated as GB below), published by McGraw Hill. I have ordered the 7th edition loose-leaf (for reduced cost) packaged with “Connect” through the GMU Bookstore. We will use “Connect” for on-line homework, so you need to buy it. Sign up through http://connect.mheducation.com/class/j-earle-labor-markets-and-policies-2017. You may use an earlier edition of the Borjas text, if you wish, although there is

Finishing the assigned reading in the textbook prior to the class meeting will facilitate questions and discussion about the material.

**Preliminary Schedule of Topics**

This list is too long and the readings are too many for us to complete within one semester. Sections 1-4 are core material, and we will certainly cover them. The other sections are provided here to show possibilities where we may focus afterward. Similarly, the extensive readings are provided to give some initial suggestions of ways to dig deeper into particular topics. In sections we cover, the textbook chapters can be considered essential (“required”); we will decide later on the others.

1. **Key Concepts and Measurement in Labor Markets**

   GB, Chapter 1 (including appendix).


   Furman, Jason, “Eight Years of Labor Market Progress and the Employment Situation in December.” [https://obamawhitehouse.archives.gov/blog/2017/01/06/eight-years-labor-market-progress-and-employment-situation-december](https://obamawhitehouse.archives.gov/blog/2017/01/06/eight-years-labor-market-progress-and-employment-situation-december)

   - Course overview
   - Defining and measuring labor force status: employment, unemployment, nonparticipation
   - Types of data
   - Basic supply-demand analysis


   GB, Chapter 2.


• Income taxes
• Welfare programs (e.g., TANF)
• Social Security and retirement incentives
• Disability Insurance and Workers Compensation programs
• Child labor
• marriage and divorce (laws on unilateral divorce, same-sex unions)
• fertility decisions
• child labor
• division of labor within the household
• abortion and crime

3. Labor Demand and Demand-Side Policies
GB, Chapter 3.
Hamermesh, Daniel, “Do labor costs affect companies’ demand for labor?” IZA World of Labor, 2014.
• Minimum wage
• Employment protection legislation (EPL) – firing costs
• Small business and start-up loans
• Globalization – import competition, exports, FDI, labor standards
• Hours restrictions, work-sharing
• Technology change
• Private equity and other acquisitions
• Public sector (state ownership)

4. Labor Market Equilibrium
GB, Chapter 4.
- Payroll tax
- Hiring credits and wage subsidies
- Immigration effects on native workers’ wages and employment

5. **Choice of Employment: Work Conditions, Human Capital, and Mobility**

GB, Chapter 5, 6, 8.
- Job safety
- Mandated benefits
- Education
- Early-childhood interventions
- Worker training and retraining
- Active labor market policies (ALMPs)
- Nature vs. nurture
- Immigration
- Housing and regional mobility
- Job lock and benefits policies (health insurance, pensions)

6. **Discrimination in the Labor Market**

GB, Chapter 9
- Discrimination and equal opportunity
- Affirmative action
7. Inequality, Wealth, and Poverty
GB, Chapter 7.
- Wage distribution
- Skill-biased technical change
- Causes of poverty and persistence

8. Unions, Incentives, Organizations, and Institutions
GB, Chapter 10 and 11.
- Union effects and regulations – “card-check” and secret ballots
- Public sector labor markets
- Organizational practices
- Executive compensation
- Labor law violations

9. Unemployment
GB, Chapter 12.
- Unemployment Insurance and work incentives
- Extended Benefits
- Job search assistance
- Training programs

10. Globalization and Labor Markets
Long run effects of trade liberalization: https://voxeu.org/article/margins-labour-market-adjustment-trade
- Trade policies and labor outcomes
- Foreign direct investment
- International outsourcing
- Labor standards
- International wage convergence

11. Self-Employment and Entrepreneurship
- Capital (financing) constraints
- Business and regulatory environment
- Personality traits
- Intergenerational links
**Academic Accommodation for a Disability**
If you are a student with a disability and you need academic accommodations, please see me and contact the Disability Resource Center (DRC) at (703) 993-2474. All academic accommodations must be arranged through the DRC as early as possible in the term.

**SPP Policy on Plagiarism**
The profession of scholarship and the intellectual life of a university as well as the field of public policy inquiry depend fundamentally on a foundation of trust. Thus any act of plagiarism strikes at the heart of the meaning of the university and the purpose of the School of Public Policy. It constitutes a serious breach of professional ethics and it is unacceptable. Plagiarism is the use of another’s words or ideas presented as one’s own. It includes, among other things, the use of specific words, ideas, or frameworks that are the product of another’s work. Honesty and thoroughness in citing sources is essential to professional accountability and personal responsibility. Appropriate citation is necessary so that arguments, evidence, and claims can be critically examined. Plagiarism is wrong because of the injustice it does to the person whose ideas are stolen. But it is also wrong because it constitutes lying to one’s professional colleagues. From a prudential perspective, it is shortsighted and self-defeating, and it can ruin a professional career. The faculty of the School of Public Policy takes plagiarism seriously and has adopted a zero tolerance policy. Any plagiarized assignment will receive an automatic grade of “F.” This may lead to failure for the course, resulting in dismissal from the University. This dismissal will be noted on the student’s transcript. For foreign students who are on a university-sponsored visa (eg. F-1, J-1 or J-2), dismissal also results in the revocation of their visa. The SPP policy on plagiarism is supplementary to the George Mason University Honor Code; it is not intended to replace it or substitute for it.