

Econ 641: Labour Economics

Autumn 2015

Theodore Papageorgiou

Office: Leacock 519

theodore.papageorgiou@mcgill.ca

Class: Tuesday, Thursday 04:05 pm - 05:25 pm, LEA 517

This course will address the Macroeconomics of Labor Markets. This has been an area of very active research over the past few years. This course discusses the business cycle behavior of labor markets, the relationship between job search and wage inequality, job matching theory, occupational choice and, time-permitting, the urban economics of labor markets, labor market policies and other applications of search theory.

Course requirements:

a) Class participation which means that you should be reading the key papers ahead of time. You should make an effort to speak up at least once in each class.

b) Class presentation (alone or in teams of two). Presentations will take place at some point during the last two weeks of the course. Presentations should cover the key elements of the article, along with some critical analysis of the article and its contribution to the literature. Depending on final enrolment, each presentation will approximately 30 minutes. Be prepared to answer questions during the class presentation.

Papers below that are *not* denoted by * can be chosen for your class presentation. Alternatively you can also present recent papers by economists whose previous work we cover, or I can also suggest other papers if you have difficulty finding a suitable one. In any case, please consult with me well before making your selection. We will go over some presentation tips closer to the presentation dates.

c) A short paper or research proposal on a topic of your choice, related to those discussed in class, due at the end of the semester. Alternatively you may replicate an empirical paper from the list below. Please discuss your topic with me early on in the course.

I expect us to cover almost all the papers denoted by * below. Depending on the time, we may also cover some of the other papers as well.

Job Markets and the Business Cycle

Facts

- * Blanchard, Olivier and Peter Diamond, 1989, "The Beveridge Curve", *Brookings Papers on Economic Activity*; (1), 1-60. Washington DC, Brookings Institution.
- * Blanchard, Olivier and Peter Diamond, 1990, "The Cyclical Behavior of the Gross Flows of U.S. Workers", *Brookings Papers on Economic Activity*; (2), 85-155. Washington DC, Brookings Institution.
- Davis, Steven J., John C. Haltiwanger, 1992, "Gross Job Creation, Gross Job Destruction and Employment Reallocation", *Quarterly Journal of Economics*, 107(3), 819-863.
- Fallick, Bruce and Charles Fleischman, 2004, "Employer-to-Employer Flows in the U.S. Labor Market: The Complete Picture of Gross Worker Flows." Mimeo.
- * Nagypal, Eva, 2008, "Worker Reallocation over the Business Cycle: The Importance of Job-to-Job Transitions," mimeo.
- Elsby, Michael W.L., Ryan Michaels and Gary Salon, 2009, "The Ins and Outs of Cyclical Unemployment," *American Economic Journal: Macroeconomics*, 1(1), 84-110.
- * Shimer, Robert, 2012, "Reassessing the Ins and Outs of Unemployment", *Review of Economic Dynamics*, 15(2), 127-148.
- Moscarini, Giuseppe and Fabien Postel-Vinay, 2012, "The Contribution of Large and Small Employers to Job Creation in Times of High and Low Unemployment", *American Economic Review*, 102(6), 2509-2539.

Theory

- Pissarides, Christopher, 1985, "Short-Run Equilibrium Dynamics of Unemployment, Vacancies, and Real Wages." *American Economic Review* 75, 676-690.
- Mortensen, Dale and Christopher Pissarides, 1994, "Job Creation and Job Destruction in the Theory of Unemployment", *Review of Economic Studies*, 61, 397-415.
- * Pissarides, Christopher, 2000, *Equilibrium Unemployment Theory*, The MIT Press, Chapters 1 and 2.
- Merz, Monika, 1996, "Search in the Labor Market and the Real Business Cycle", *Journal of Monetary Economics*; 36(2), February, 269-300.
- * Andolfatto, David, 1996, "Business Cycles and Labor Market Search", *American Economic Review*; 86(1), March, 112-32.
- * Shimer, Robert, 2005, "The Cyclical Behavior of Equilibrium Unemployment and Vacancies", *American Economic Review*, 95(1), 25-49.
- Shimer, Robert, 2007, "Mismatch", *American Economic Review*, 97(4), 1074-

1101.

- * Hagedorn, Marcus and Iourii Manovskii, 2008, “The Cyclical Behavior of Equilibrium Unemployment and Vacancies Revisited,” *American Economic Review*, 98(4), 1692-1706.
- Menzio, Guido and Shouyong Shi, 2011, “Efficient Search on the Job and the Business Cycle,” *Journal of Political Economy*, 119(3), 468-510.
- Moscarini, Giuseppe and Fabien Postel-Vinay, 2013, “Stochastic Search Equilibrium,” *Review of Economic Studies*, 80(4), 1545-1581.

Job Search and Wage Inequality

- * McCall, John J., 1970, “Economics of Information and Job Search,” *Quarterly Journal of Economics*, 84(1), 113-126.
- Diamond, Peter, 1971, “A Model of Price Adjustment”, *Journal of Economic Theory*, 3, 156-168.
- Moen, Espen, 1997, “Competitive Search Equilibrium,” *Journal of Political Economy*, 105(2), 385-411.
- * Burdett, Kenneth and Dale Mortensen, 1998, “Wage Differentials, Employer Size, and Unemployment,” *International Economic Review*, 39(2), 257-273.
- * Postel-Vinay, Fabien and Jean-Marc Robin, 2002, “Equilibrium Wage Dispersion with Worker and Employer Heterogeneity”, *Econometrica*, 70 (6), 2295-2350.
- Rogerson, Richard, Robert Shimer and Randall Wright, 2005, “Search Theoretic Models of the Labor Market,” *Journal of Economic Literature*, 43, 959-988
- * Hornstein, Andreas, Per Krusell and Giovanni L. Violante, 2011, “Frictional Wage Dispersion in Search Models: A Quantitative Assessment,” *American Economic Review*, 101(7), 2873-2898.
- Bagger, Jesper, Francois Fontaine, Fabien Postel-Vinay and Jean-Marc Robin, 2014, “Tenure Experience, Human Capital and Wages: A Tractable Equilibrium Search Model of Wage Dynamics,” *American Economic Review*, 104(6), 1551-1596.
- Lise, Jeremy and Jean-Marc Robin, 2014, “The Macro-dynamics of Sorting between Workers and Firms,” mimeo.

Job Matching

- Jovanovic, Boyan, 1979, “Job Matching and the Theory of Turnover”, *Journal of Political Economy*, 87(5) Part I, 972-990.
- * Moscarini, Giuseppe, 2001, “Excess Worker Reallocation.” *Review of Economic Studies*, 68, 593-612.
- * Barlevy, Gadi, 2002, “The Sullyng Effects of Recessions,” *Review of Economic Studies*, 69, 65-96.
- * Moscarini, Giuseppe, 2005, “Job Matching and the Wage Distribution,”

Econometrica, 73 (2), 481-516.

- Nagypal, Eva, 2007, “Learning-by-Doing versus Learning about Match Quality: Can we Tell Them Apart?” *Review of Economic Studies*, 74, 537-566.
- Fujita, Shigeru and Giuseppe Moscarini, 2013, “Recall and Unemployment,” mimeo.
- * Sahin, Aysegul, Joseph Song, Giorgio Topa and Gianluca Violante, 2014, “Mismatch Unemployment,” *American Economic Review*, 104(11), 3529-3564.

Occupational Choice

- Miller, Robert A., 1984, “Job Matching and Occupational Choice,” *Journal of Political Economy*, 92(6), 1086-1120.
- Kambourov, Guoergui and Iourii Manovskii, 2009, “Occupational Specificity of Human Capital,” *International Economic Review*, 50(1), 63-115.
- * Kambourov, Guoergui and Iourii Manovskii, 2009, “Occupational Mobility and Wage Inequality,” *Review of Economic Studies*, 76, 731-759.
- Papageorgiou, Theodore, 2014, “Learning Your Comparative Advantages,” *Review of Economic Studies*, 81, 1263-1295.
- Groes, Fane, Philipp Kircher and Iourii Manovskii, 2015, “The U-Shapes of Occupational Mobility,” *Review of Economic Studies*, 82 (2), 659-692.
- Lise, Jeremy and Fabien Postel-Vinay, 2015, “Multidimensional Skills, Sorting and Human Capital Accumulation,” mimeo.
- * Lopes de Melo, Rafael and Theodore Papageorgiou, 2015, “Occupational Choice, Human Capital and Learning: A Multi-Armed Bandit Approach,” mimeo.

Labor Markets Across Space

- Eeckhout, Jan, Roberto Pinheiro and Kurt Schmidheiny, 2014, “Spatial Sorting,” *Journal of Political Economy*, 122(3), 554-620.
- De la Roca, Jorge, Gianmarco I. P. Ottaviano and Diego Puga, 2014, “City of Dreams,” mimeo.
- Papageorgiou, Theodore, 2014, “Worker Sorting and Agglomeration Economies,” mimeo.

Labor Market Policies

- Hopenhayn, Hugo and Richard Rogerson, 1993, “Job Turnover and Policy Evaluation: A General Equilibrium Analysis,” *Journal of Political Economy*, 101, 915-938.
- Alvarez, Fernando and Marcelo Veracierto, 1999, “Labor-Market Policies in an Equilibrium Search Model,” *NBER Macroeconomics Annual*, 265-304.

- Acemoglu, Daron and Robert Shimer, 1999, “Efficient Unemployment Insurance,” *Journal of Political Economy*, 107, 893-928.
- Flinn, Christopher J., 2006, “Minimum Wage Effects on Labor Market Outcomes under Search, Matching and Endogenous Contract Rates,” *Econometrica*, 74 (4), 1013-1062.

Other Applications of Search Theory

- Lagos, Ricardo, 2003, “An Analysis of the Market for Taxicab Rides in New York City”, *International Economic Review*, 44(2), 423-434.
- Lagos, Ricardo and Randall Wright, 2005, “A Unified Framework for Monetary Theory and Policy Analysis,” *Journal of Political Economy*, 113(3), 463-484.
- Galenianos, Manolis and Alessandro Gavazza, 2015, “A Quantitative Analysis of the Retail Market for Illicit Drugs,” mimeo.

Note that due to time constraints, it is possible that some topics will not be covered or some topics added. I maintain discretion regarding changes in this outline. Any changes will be discussed in class.

Miscellanea

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