

Hitotsubashi University
Department of Economics
Advanced Labor Economics I
Winter 2018

Instructor: Hiroaki Mori

Lecture Time: M,Th 9:45-10:30

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Office Hours: M 13:00-15:00

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Course Description

The main objective of this course is to provide students with advanced econometric tools needed to evaluate and design various government policies that may affect labor market outcomes. As the first section of the advanced labor economics sequence, this course introduces various empirical strategies in labor economics, including program evaluation approaches, nonparametric/semiparametric estimation methods, as well as identification and estimation of commonly used models of the labor market. Throughout this course, we will examine the strengths and weaknesses of alternative approaches in labor economics and how we can apply them in academic research and policy studies.

Assessment

The course grade will be based on in-class contributions, research presentations, and a research proposal. The distribution of the marks is as follows:

Assessment	Weight
In-class contributions	20%
Research presentations	20%
Research proposal	60%

A successful research proposal contains everything for a research paper but findings. It should have at least 10 pages (double-spaced, excluding references) and should include the following:

- a clear statement of your research question;

- brief motivation for the research question: Why is your question important? Why should the reader of your research proposal care your question? What is the policy relevance?
- review of the relevant literature
- description of proposed empirical strategy and data sources
- clear discussion of your potential contribution to the prior literature
- clear discussion of what challenges you expect to encounter.

Schedule

Please note that the following is a tentative schedule for the course. All changes in schedule will be announced in class in advance. Students are responsible for learning about these changes.

Lecture 1 (11/08): College Wage Premium

- Introduction
- Evidence-based policy making and roles of labor economists
- Evidence of rising college wage premium
- Canonical model of college wage premium

Reading list:

- [Katz and Murphy \(1992\) QJE](#). Changes in Relative Wages, 1963-1987: Supply and Demand Factors
- [Card and Lemieux \(2001\) QJE](#). Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis
- [Carneiro and Lee \(2011\) AER](#). Trends in Quality-Adjusted Skill Premia in the United States, 1960-2000
- [Kawaguchi and Mori \(2016\) EER](#). Why has Wage Inequality Evolved so Differently between Japan and the US? The Role of the Supply of College-Educated Workers.
- [Keng et al. \(2017\) JHC](#). Expanding College Access in Taiwan, 1978-2014: Effects on Graduate Quality and Income Inequality

Lecture 2 (11/12): Task-based Approaches

- Job polarization and routinization hypothesis
- Job polarization and jobless recoveries
- Task-specificity of human capital
- Growing importance of social skills

Reading list:

- [Poletaev and Robinson \(2008\) JoLE](#). Human Capital Specificity: Evidence from the Dictionary of Occupational Titles and Displaced Worker Surveys, 1984-2000
- [Jaimovich and Siu \(forthcoming\) ReStat](#). Job Polarization and Jobless Recoveries
- [Deming \(2017\) QJE](#). The Growing Importance of Social Skills in the Labor Market

Additional readings:

- [Acemoglu and Autor \(2011\) HoLE](#). Skills, Tasks and Technologies: Implications for Employment and Earnings.

Lecture 3 (11/15): Skill Formation during Childhood Part 1

- Evidence of skill gaps among children
- Sensitive periods and dynamic complementarity of skill formation
- Evaluation of early childhood interventions

Reading list:

- [Heckman et al. \(2006\) JoLE](#). The Effects of Cognitive and Noncognitive Abilities on Labor Market Outcomes and Social Behavior
- [Heckman et al. \(2010\) QE](#). Analyzing social experiments as implemented: A reexamination of the evidence from the HighScope Perry Preschool Program

Additional readings:

- [Cunha et al. \(2006\) HoEE](#). Interpreting the Evidence on Life Cycle Skill Formation
- [Currie and Almond \(2011\) HoLE](#). Human Capital Development before Age Five

Lecture 4 (11/19): Skill Formation during Childhood Part 2

- Understanding family investments in children

Reading list:

- [Cunha et al. \(2010\) EMA](#). Estimating the Technology of Cognitive and Noncognitive Skill Formation
- [Pavan \(2017\) JHR](#). On the Production of Skills and the Birth Order Effect
- [Kinsler and Pavan \(2018\)](#) Local Distortions in Parental Beliefs over Child Skill

Additional readings:

- [Cunha et al. \(2006\) HoEE](#). Interpreting the Evidence on Life Cycle Skill Formation
- [Caucutt et al. \(2016\) SJE](#). Correlation, Consumption, Confusion, or Constraints: Why Do Poor Children Perform so Poorly?

Lecture 5 (11/26): Post-schooling Skill Dynamics

- Estimating returns to on-the-job training
- Wage-based estimation of human capital profiles

Reading list:

- [Kuruscu \(2006\) AER](#). Training and Lifetime Income
- [Bowlus and Robinson \(2012\) AER](#). Human Capital Prices, Productivity, and Growth.
- [Yamaguchi \(2012\) JoLE](#). Tasks and Heterogeneous Human Capital
- [Bagger et al. \(2014\) AER](#). Tenure, Experience, Human Capital, and Wages: A Tractable Equilibrium Search Model of Wage Dynamics

Additional readings:

- [Weiss and Rubinstein \(2006\) HoEE](#). Post Schooling Wage Growth: Investment, Search and Learning
- [Heckman et al. \(2008\) JHC](#). Earnings Functions and Rates of Return
- [Sanders and Taber \(2012\) ARE](#). Life-Cycle Wage Growth and Heterogeneous Human Capital

Lecture 6 (11/29): Gender Gaps in the Labor Market

- Measurement of gender gaps in the labor market
- Evaluation of family policies

Reading list:

- [Olivetti and Petrongolo \(2008\) JOLE](#). Unequal Pay or Unequal Employment? A Cross-Country Analysis of Gender Gaps
- [Yamaguchi \(2018\) JHR](#). Changes in Returns to Task-Specific Skills and Gender Wage Gap
- [Yamaguchi et al. \(2018\) LE](#). Effects of subsidized childcare on mothers labor supply under a rationing mechanism
- [Cortes et al. \(2018\)](#). The “End of Men” and Rise of Women in the High-Skilled Labor Market

Additional readings:

- [Olivetti and Petrongolo \(2016\) ARE](#). The Evolution of Gender Gaps in Industrialized Countries
- [Yamaguchi \(2016\) JER](#). Family Policies and Female Employment in Japan
- [Olivetti and Petrongolo \(2017\) JEP](#). The Economic Consequences of Family Policies: Lessons from a Century of Legislation in High-Income Countries

Lecture 7 (12/03): Local Labor Markets and Geographical Inequality

- Evidence of geographical inequality
- Evaluating migration policies
- Evaluating place-based policies

Reading list:

- [Chetty et al. \(2014\) QJE](#) Where is the land of opportunity? The geography of intergenerational mobility in the United States
- [Manning and Petrongolo \(2017\) AER](#). How Local Are Labor Markets? Evidence from a Spatial Job Search Model
- [Lu et al. \(forthcoming\) AEJ](#). Place-Based Policies, Creation and Agglomeration Economies: Evidence from China’s Economic Zone Program

Additional readings:

- [Moretti \(2012\)](#) The new geography of jobs
- [Kline and Moretti \(2014\) ARE](#). People, Places, and Public Policy: Some Simple Welfare Economics of Local Economic Development Programs
- [Neumark and Simpson \(2015\) HoUE](#) Place-Based Policies

Lecture 8 (12/06): Labor Market Risks and Social Insurance

- Liquidity effects of UI
- Externalities of UI expansions

Reading list:

- [Chetty \(2008\) JPE](#). Moral Hazard versus Liquidity and Optimal Unemployment Insurance
- [Low et al. \(2010\) AER](#). Wage Risk and Employment Risk over the Life Cycle
- [Lalive et al. \(2015\) AER](#). Market Externalities of Large Unemployment Insurance Extension Programs

Additional readings:

- [Chetty \(2009\) ARE](#). Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods
- [Meghir and Pistaferri \(2011\) HoLE](#). Earnings, Consumption and Life Cycle Choices

Lecture 9 (12/10): Difference-in-differences

- Falsification tests
- Handling many covariates with high-dimensional methods
- Applications

Reading list:

- [Bertrand et al. \(2004\) QJE](#). How Much Should We Trust Differences-In-Differences Estimates?
- [Blundell and Dias \(2009\) JHR](#). Alternative Approaches to Evaluation in Empirical Microeconomics.
- [Cameron and Miller \(2014\) JHR](#). A Practitioners Guide to Cluster-Robust Inference
- [Belloni et al. \(2014\) JEP](#). High-Dimensional Methods and Inference on Structural and Treatment Effects

Lecture 10 (12/17): Alternative Approaches to Dealing with Selection Bias

- Imputation methods
- Control function approaches
- Propensity score matching

- Inferring selection on unobservables based on selection on observables
- Bounding approaches

Reading list:

- [Manski \(1994\) JHR](#). Anatomy of the Selection Problem
- [Neal \(2004\) JPE](#). The Measured BlackWhite Wage Gap among Women Is Too Small
- [Heckman and Navarro \(2007\) ReStat](#) Using Matching, Instrumental Variables, and Control Functions to Estimate Economic Choice Models
- [Blundell et al. \(2007\) EMA](#). Changes in the Distribution of Male and Female Wages Accounting for Employment Composition Using Bounds
- [Lee \(2009\)](#). Training, Wages, and Sample Selection: Estimating Sharp Bounds on Treatment Effects

Additional readings:

- [Manski \(1999\)](#) Identification problems in the social sciences
- [Matzkin \(2016\) ARE](#) Nonparametric Identification in Structural Economic Models

Lecture 11 (12/20): Instrumental Variables and Marginal Policy Evaluation Methods

- IV estimation with heterogeneous treatment effects
- LATE approaches
- Identification and estimation of marginal treatment effects
- Estimation of marginal policy relevant treatment effects

Reading list:

- [Imbens and Angrist \(1994\) EMA](#). Identification and Estimation of Local Average Treatment Effects
- [Cornelissen et al. \(2016\) LE](#). From LATE to MTE: Alternative methods for the evaluation of policy interventions
- [Carneiro et al. \(2016\) JAE](#). Average and Marginal Returns to Upper Secondary Schooling in Indonesia.
- [Yamaguchi et al. \(2018\) LE](#). How Does Early Childcare Enrollment Affect Children, Parents, and Their Interactions?

Additional readings:

- [Heckman \(2000\) QJE](#). Causal Parameters and Policy Analysis in Economics: A Twentieth Century Retrospective

- [Heckman \(2010\) JEL](#). Building Bridges Between Structural and Program Evaluation Approaches to Evaluating Policy
- [French and Taber \(2011\) HoLE](#). Identification of Models of the Labor Market.
- [Brinch et al. \(2017\) JPE](#). Beyond LATE with a Discrete Instrument: Heterogeneity in the Quantity-Quality Interaction of Children