

# PPHA 44302: Labor Markets: A Global Perspective

## Syllabus, Fall 2024

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<b>Professor</b>	Gregory Lane laneg@uchicago.edu	<b>Office Hours</b>	Tue & Thu, 12:30-1:30
<b>Lecture</b>	Section 1: Tue & Thu, 9:30 - 10:50 PM Section 2: Tue & Thu, 11:00 - 12:20 PM	<b>Office Location</b>	Keller 3103
<b>Teaching Assistant</b>	Matt Stadnicki	<b>Lecture Location</b>	Keller 2112

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**Objectives:** This course covers economic theory of how labor markets functions, including labor supply, labor demand, job search models, wage setting, discrimination, and migration. For each topic we cover we will then examine empirical applications of these models with a focus on middle and low-income countries. Examples of the settings we will discuss are: refugee camps in Bangladesh, the transit industry in Kenya, and middle school students in the Dominican Republic. The goals for this course is that you will:

- Learn to apply the tools of economic analysis to understand how labor markets function in different settings.
- Develop a critical approach to evaluating economic models and understanding when they may or may not be useful.
- Gain a working understanding of labor market failures common in middle and low-income countries.

The course is issue and problem-solving oriented, making rigorous use of the tools and techniques of applied economics.

**Prerequisites:** There are no formal prerequisites for the course. However, the topics covered in this course touch on multiple branches of economics and assume that students have a good grounding in economic principles. Familiarity with economic concepts and analysis is necessary – this includes taking simple derivatives and finding the maximum of a function. Additionally, students should be comfortable following mathematical and statistical arguments.

**Recommended text & readings:** There is no required textbook for the course. However, the following text will complement many of the topics I will cover:

- George J. Borjas, Labor Economics, 9th edition.

While this text may prove useful for students, everything you need to know will be covered in lectures and I will often cover topics not highlighted as strongly in the text. I will also periodically assign you **required** readings which will be posted on Canvas consisting of academic papers or news articles on specific topics.

**Course webpage:** I will be using Canvas to provide course material, post grades, and send out announcements. If you do not have access to the Course on Canvas, please let me know via email.

**Course Requirements** The grade for the course will be based on your performance on four problem sets and a final exam. The assignments will count 60% of the final grade (15% each) and the final will count for 35%, and class engagement the final 5%. Additionally, there is an **optional** written research proposal requirement which students can choose to pursue. This will count 20% towards the final grade, reducing the contribution of the problem sets and final exam by 10% each.

1. **Problem Sets:** There will be four problems sets during the semester which you will submit via gradescope. Each problem set will receive equal weight. Assignments are due at 7:00 pm on their due date. Please submit via gradescope. **Assignments handed in after class but on the due date (before midnight) will be marked down by 20% of the total grade. There are no ex-post exceptions to this penalty, so please be sure to try and submit the assignment well before 7:00pm so that you do not run into technical issues.** Assignments submitted one day late will lose 50% of the total grade. Unexcused assignments handed the more than one day after the due date will be given NO CREDIT. Problem sets will be due (tentatively) on the following dates:

- Problem Set 1: Oct 15 at 7:00pm
- Problem Set 2: Oct 29 at 7:00pm
- Problem Set 3: Nov 7 at 7:00pm
- Problem Set 4: Nov 21 at 7:00pm

2. **Final Exam:** There will be a final examination, exact date TBD

- ???, December ??, at ??

The Final is cumulative for the entire course. I will hold a review session in-class before the final.

3. **Optional Research Proposal:** You will need to inform me about taking this option no later than **Oct 22nd**. Once you choose this route, you will be committed! The proposal is due on the last day of lecture, **December 5th**.

To opt-in, you must first submit to me your one or two sentence research question, your general research strategy outline (e.g. secondary data analysis, experiment, theoretical modeling, etc. - please be specific!), and an argument about why this question is interesting or important. This is limited to one page. After reviewing your one-pager, I will either approve or disapprove your proposal. For approved proposals, I will also try to give feedback on the research design.

The proposal is a minimum of eight pages and needs to be directly related to the theme of the class (i.e. labor economics). The final product must contain 1-2 page introduction, 2-4 page literature review on your topic, 2-3 pages on your research design, 1 page conclusion and bibliography. I will grade your proposal on i) the relevance and novelty of you research question (e.g. it can't just be a duplicate of one of our applications), ii) the quality and depth of your literature review, iii) the detail and viability of your research design, and iv) bibliography.

More specifically, the final research proposal should incorporate the following:

- (a) Introduction, Research Questions, and Significance of the Study. This includes the research questions you are interested in answering and the significance of such a study such as the intellectual, empirical or policy merits of the issue. A brief description of the study area or

innovative project or initiative being examined should also be included. Note, because you are answering a research question, you should not write this section as if you already know the answer (e.g. “I will show that school privatization lowers learning outcomes”). If you already know the answer, then there is no point in doing research (and may make a reader concerned your analysis would not be fair). Instead, you should make the case why the answer to your research question is important, even if that answer goes against your priors (e.g. “Quantifying the effect of school privatization on learning outcomes will help inform government decision making about the costs and benefits of this important policy”).

- (b) Review of literature. This section should be succinct, and the goal is to place your research into the literature. You should not aim to just list what others have done, but explain how your proposed research relates to, or builds upon, previous work.
- (c) Detailed Description of Research Design. This main section of your proposal must provide detailed description and justification of your proposed empirical methodology or model. In addition to justifying your approach, you should point out potential limitations of your design. If you propose using secondary data, you should describe where you might obtain that data and what variables you must collect. If you are proposing original data collection, you must be specific about what population you would collect data from, what variables you will collect and be specific about what your main outcome variables are. You should be sure to clearly demonstrate how your approach will answer the research questions you identified in section one.
- (d) Bibliography. This section should give complete citation of references used in preparing the paper including those from the internet.

**Regrade policy:** If you believe that you lost points due to an error on my part, please request a regrade via gradescope for the specific question and we will quickly correct clear errors. If disagreement persists, I will regrade the *ENTIRE* homework/exam, reserving the right to **assign an even lower grade** on the second round of grading. All requests for regrading must be handed in **within one week** of when the homework/exam is returned. No regrade requests will be considered after that time.

**Academic honesty:** The Harris School expects you to adhere to the formal policy on academic honesty. Examples of academic dishonesty include (but are not limited to) turning in someone else’s work as your own, turning in the same written text as someone else on a problem set / exam, copying solutions to past years’ problem sets, and receiving any unapproved assistance on exams. This course has a zero-tolerance policy for academic dishonesty. Any student found in violation of this academic honesty policy will receive an automatic F in the class. I will also refer all cases of cheating to the office of the Dean of Students. They may in turn impose further penalties as per the Harris School Disciplinary Procedures, including probation and expulsion. If you have any questions regarding what would or would not be considered academic dishonesty in this course, please do not hesitate to ask.

**ADA accommodations:** Any student who believes they may need assistance should inform the Office of Student Disability Services by the end of the first week of class. Once you have received an accommodation letter, it should be presented to the course instructor immediately.

**Course outline:** I will attempt to cover the topics listed below. However, I may add or subtract topics depending on the pace we are able to achieve during lecture. Note, some thematic Lectures will cover multiple weeks.

- Lecture 1 - Overview

- Course overview
- Application example: Worker safety laws
- Lecture 2 - Labor Supply Theory
- Lecture 3 - Labor Supply Applications
  - Psychosocial benefits of work
  - Social tax
  - Nutritional Constraints
- Lecture 4 - Labor Demand Theory
- Lecture 5 - Labor Demand Applications
  - Screening costs
  - Principle-agent problems
- Lecture 6 - Market Equilibrium, Wages, and Unemployment Theory
- Lecture 7 - Market Equilibrium, Wages, and Unemployment Applications
  - Downward nominal wage rigidity
  - Unemployment and self-employment
- Lecture 8 - Job Search Theory
- Lecture 9 - Job Search Applications
  - Referral networks
  - Search frictions
- Lecture 10 - Migration Theory
- Lecture 11 - Migration Application
  - Temporary Migration
  - Brain-drain or brain-gain?
- Lecture 12 - Human Capital Theory
- Lecture 13 - Human Capital Applications
  - Misinformation on returns to education
  - Cognitive endurance
- Lecture 14 - Discrimination Theory
- Lecture 15 - Discrimination Applications
  - Hiring Discrimination
  - Customer discrimination
- Lecture 16 - Review Session