Labor Economics, Fall 2025

Lecture 0: An Introduction to Modern Labor Economics and the Course

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Today's Agenda

1. **What is Labor Economics?**

2. **Modern Labor Economics and its Characteristics**

3. **Why Study Labor Economics?**

4. **Labor Economics in China**

5. **Course Structure and Evaluation**

What is Labor Economics

Review: What is Economics?

- **Economics** is a social science that studies how individuals and societies make decisions about allocating scarce resources and how these choices impact society as a whole.

  - Social Science: Study of human behavior and social phenomena using scientific methods.

  - Economists analyze human behavior at all levels—from individual decisions to societal choices-which are related to **the allocation of scarce resources**.

  - Economists try to find and make ways to allocate the scarce resources more **efficiently, effectively, and fairly**.

Economics addresses three fundamental questions:

1. What to produce?

2. How to produce it?

3. For whom to produce (i.e., how to distribute the output)?

Labor Economics

- Labor Economics studies how labor resources are allocated by economic agents and how these allocation decisions affect society.

  - *Labor is a key production factor—alongside capital, land, and technology—that is essential for producing goods and services.*

It encompasses three main areas:

1. Labor as an output: How labor itself is produced and how it can be upgraded.

2. Labor Market Mechanisms: How labor resources are allocated by economic agents.

3. Unemployment and Income Distribution: How employment opportunities and returns from labor are determined.

🎯 **Focus**: Understanding the **"human factor"** in economic activity

Typical Research Questions

🎓 **Human Capital**: Why do individuals with higher education typically earn more than those with less education?

🌍 **Migration**: How does immigration affect the wages and employment opportunities of native-born workers?

💰 **Policy**: Do minimum wage policies increase unemployment among less-skilled workers?

⚙️ **Technology**: What is the impact of automation on employment and wages?

China-Specific Research Questions

📈 **Inequality**: What factors are responsible for the increasing income inequality in China? （收入差距）

⏰ **Work Culture**: Is the "996" work culture (9am-9pm, 6 days a week) in China a catalyst for economic success, or does it reflect deeper systemic issues that sacrifice worker well-being and legal protections?

👥 **Demographics**: What are the labor market implications of China's aging population and declining birth rates?

Labor Economics: Outline

Classical Topics

- Labor Supply and Demand
- Labor Market Equilibrium
- Human Capital and Education
- Compensating Wage Differentials
- Labor Market Discrimination
- Migration and Mobility
- Wage and Income Inequality
- Unemployment and Job Search
- Labor Unions

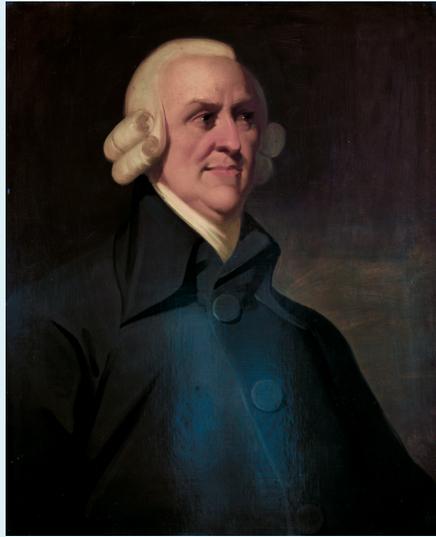We will focus on these topics in the class.

Contemporary Topics

- 🤖 AI and Automation on Labor Markets
- 🌍 Globalization and Trade on Labor Markets
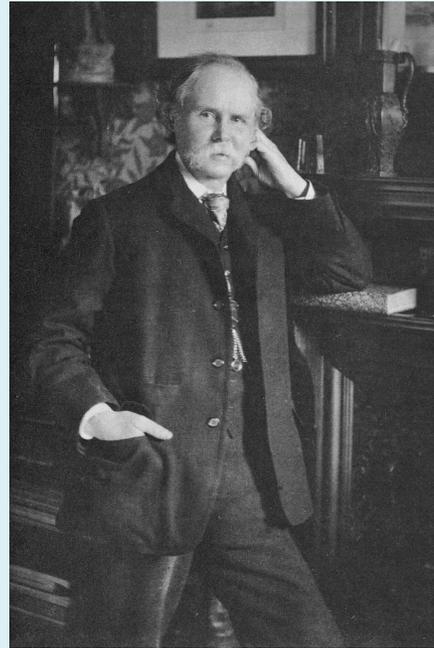- 💰 Inequality in the Digital Age

If we have extra time, we will also cover above.
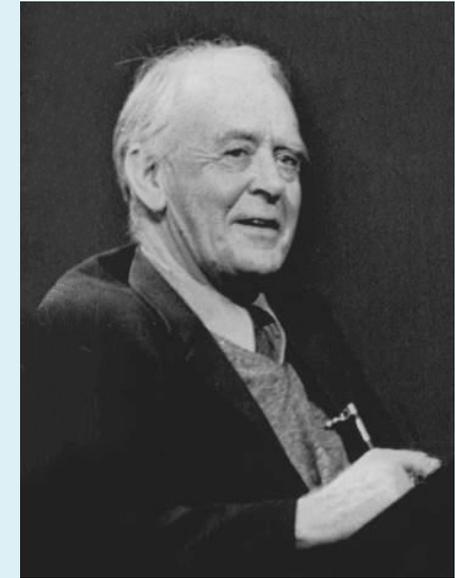
Modern Labor Economics: A Brief History

The Classical Foundations

Adam Smith (1723-1790)
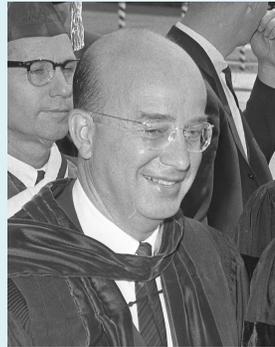

Alfred Marshall (1842-1924)

John Hicks (1904-1989)

- *Adam Smith(1776)*: Division of labor and productivity
- *Alfred Marshall(1890)*: Labor demand theory
- *John Hicks(1932)*: Theory of wages

The Birth of Labor Economics

- Labor economics became an autonomous discipline in the US through the work of "The Big Four" professors:

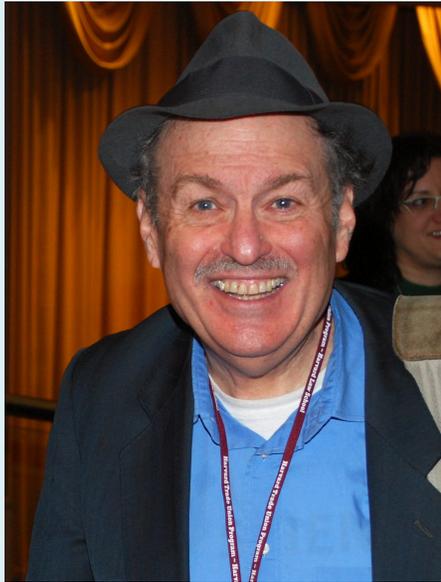
John Dunlop(1902-1975)

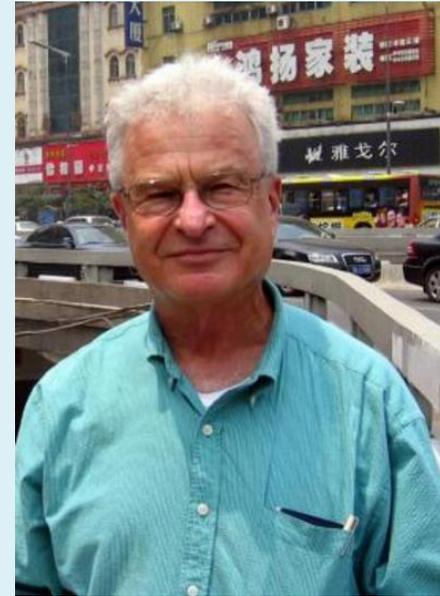Clark Kerr(1910-1996)

Richard Lester(1910-1996)

Lloyd Reynolds(1909-1994)

- Lloyd Reynolds textbook *Labor Economics and Industrial Relations: Markets and Institutions* (1949) was the reference text for over 30 years
  - Primarily descriptive methodology
  - Focus on institutional specifics of labor markets

The Modern Era (1970s-1990s)

Richard Freeman(1943-)

Belton Fleisher(1935-)

- They pioneered the first generation of modern textbooks:

  - Belton Fleisher: "*Labor Economics: Theory and Evidence*" (Prentice Hall, 1970)
  - Richard Freeman: "Labor Economics" (Prentice Hall, 1972)

Modern Labor Economics(1990s-now)

- **Credibility Revolution**

The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2021

© Nobel Prize Outreach. Photo: Paul Kennedy
David Card
Prize share: 1/2

© Nobel Prize Outreach. Photo: Risdon Photography
Joshua D. Angrist
Prize share: 1/4

© Nobel Prize Outreach. Photo: Paul Kennedy
Guido W. Imbens
Prize share: 1/4

- More classical topics are revisited with new methods

- Nobel Prize in Economics 2023: Claudia Goldin "for her research on the women's outcomes in labor market".

Modern Labor Economics: Five Unique Characteristics

Characteristic #1: Human Complexity

Labor Economics is more complex than other fields because we study **human behavior directly** from an economic perspective.

1) **Non-monetary factors matter**

- Institutional factors: Laws and regulations
- Cultural factors: Work-life balance preferences, social norms
- Psychological factors: Job satisfaction, social identity, peer effects

2) **Multiple Stakeholders**

Beyond firms and workers, many players influence outcomes:

- Government: Labor laws, taxation, social policies
- Unions: Collective bargaining, worker representation
- NGOs: Advocacy, training programs

✨ **People are complex agents with preferences, emotions, and social connections**

Characteristic #2: Data-Driven Empiricism

Labor Economics is more empirical than other fields and relies on **diverse data sources**.

1) **The Numbers Tell the Story:**

- ~80% of labor economics papers use empirical analysis in 1990s.
- 2/3 use microdata (Question: What is microdata?)

2) **The Microdata Revolution**

- 1970s: Microdata began to outnumber time series

- Mid-1990s: Microdata was 10x more common than time series

- Other fields: More even split between data types
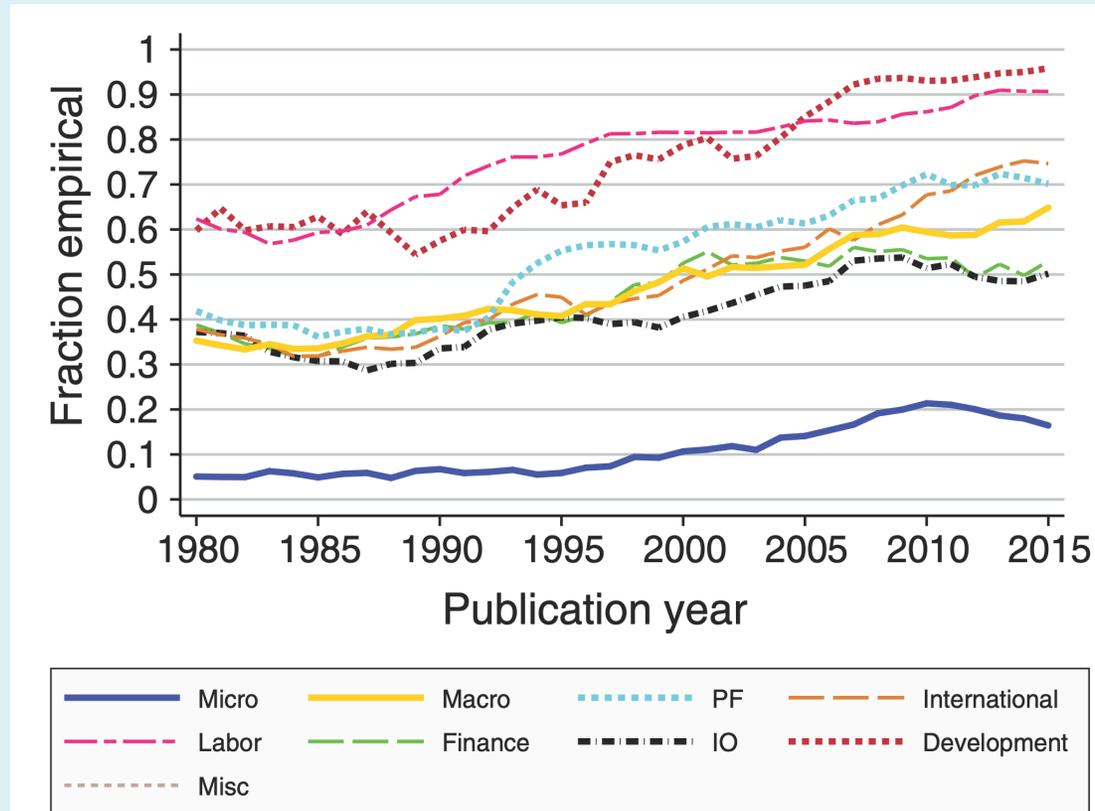
Angrist et al. (2021)

FIGURE 4. WEIGHTED FRACTION EMPIRICAL BY FIELD

🔍 **Bottom Line**: Labor economists are **empirical detectives**

Characteristic #3: Methodological Innovation

Labor Economists use **cutting-edge econometric methods** and often **pioneer new techniques**.

Outside of time-series econometrics, most major innovations in econometric technique since the 1970s were motivated by labor research:

- Sample Selection Models: Female labor supply
- Matching Methods: Training program evaluation
- Instrumental Variables: Returns to schooling

- Regression Discontinuity → Scholarship effects
- Difference-in-Differences → Minimum wage impacts

💡 **Labor economists are also best applied econometricians**

Characteristic #4: Interdisciplinary Influence

Labor Economics is a "parent field" that has spawned many sub-disciplines:

Born from Labor Economics:

- 🏥 Health Economics
- 🎓 Economics of Education
- 💼 Personnel Economics
- 👥 Family Economics

Closely Related Fields:

- 🌍 Development Economics
- 📈 Population Economics
- 🏢 Urban Economics
- 👥 Social Economics

🧩 **Labor Economics: The intellectual hub of Economics**

Characteristic #5: Fascinating and Accessible

Most Important: Labor Economics is arguably the most **engaging and relatable** sub-discipline in Economics.

- Direct policy relevance to our daily life.

- Social justice orientation

💡Remember: **You can not treat people as just "inputs"**

Labor Economics in China: Research, Policy, and Reality

Labor Economics in China: Research

Research Landscape: A Field in Rapid Expansion

- Labor economics is one of the most promising and internationalizing fields in Chinese economic studies.

The Data Revolution(since 2000s)

- Unprecedented survey expansion: several large-scale datasets are being launched continuously
- International collaboration surge: Growing partnerships with leading global institutions
- Methodological sophistication: Increasingly adopt cutting-edge econometric techniques

The Academic Reality Check

- However, within China's domestic research priorities, labor economics topics are less prominent than industrial organization, international trade, or finance

- Publication incentives: Journals favor labor topics somewhat less than other fields.

- Limited institutional support: We lack administrative data in public use like census data.

Research in Labor Economics in China

Selected Top Journals published by Chinese Economists(before 2015):

1) Shan-jin Wei(Columbia) and Xiaobo Zhang(CCER, Peking University),"The Competitive Saving Motive: Evidence from Rising Sex Ratios and Savings in China," *Journal of Political Economy*, 119(3), 2011.

2) Hongbin Cai(GSM, Peking University), Chen Yuyu(GSM, Peking University) and Hanming Fang(Yale University), "Observational Learning: Evidence from a Randomized Natural Field Experiment," *American Economic Review*, Vol 99, issue 3, June 2009.

3) Shen Kailing (WISE, Xiamen) and Peter Khun, "Gender Discrimination in Job Ads: Theory and Evidence in China," *Quartly Journal of Economics* Vol 128, issue 1, Feb. 2013.

4) Hongbin Li (Tsinghua), Mark Rosenzweig (Yale) and Junsen Zhang (CUHK), "Altruism, Favoritism, and Guilt in the Allocation of Family Resources: Sophie's Choice in Mao's Mass Send Down Movement," *Journal of Political Economy* (lead article) Vol 118, issue 1, February 2010.

Labor Economics in China: Policy

Policy Formation: A Top-Down Challenge

- While research shows promise, policy integration remains problematic.

Bureaucratic Decision-Making

- China's economic policies, especially labor market policies, are predominantly top-down and bureaucrat-driven
- Limited evidence-based policymaking: Systematic use of labor economics research in policy formulation remains rare
- Institutional disconnect: Gap between academic findings and policy implementation

Historical Policy Attention Cycles

- 1990s emergence: Labor market policy discussions began in late 1990s
- 2008-2012 peak: Maximum policy attention during economic restructuring period
- Post-2012 decline: Government focus shifted toward industrial policy, financial regulation, and real estate

The Current Reality: Challenges and Opportunities

The Paradox of Importance vs. Attention

- Critical labor market issues receive insufficient formal discussion from both academia and policymakers.

Why This Situation Must Change

- Demographic transition: Aging population requires evidence-based birth support and labor policies
- Economic transformation: Shift from manufacturing to services demands new approaches
- International competitiveness: Global talent competition requires sophisticated labor market understanding
- Social stability: Income inequality and employment quality affect social cohesion

🎯 **Chinese labor market needs more research and policy discussion**

Popular Household Surveys: Overview

1. Chinese Household Income Project (CHIPs)

- Principle Investigator: Zhao Renwei (CASS) and Li Shi (BNU)
- Waves: 1988, 1995, 2002, 2007, 2013, 2018, 6 waves cross-section data
- The first large-scale and most well-known Chinese household surveys in the international academia

2. Chinese Health And Retirement Longitudinal Survey (CHARLS)

- Principle Investigator: Zhao Yaohui (Former PKU, now at Wuhan University) and John Strauss (USC)
- Waves: 2011 (baseline-nation wide), 2013 (wave 2), 2015 (wave 3), 2018 (wave 4), 2020 (wave 5)
- Found by National Institutes of Health (USA) and National Science Foundation (China)

3 China Family Panel Studies (CFPS)

- Principle Investigator: Yu Xie (Princeton)
- Waves: 2010, 2012, 2014, 2016, 2018, 2020, 2022, 6 waves panel data
- Very comprehensive data on household and individuals in China

Popular Household Surveys (cont.)

4. Chinese Health and Nutrition Survey (CHNS)

Very good data sets for health, and it is Panel

5. China General Social Survey (CGSS)

6. China Labor-force Dynamics Survey (CLDS)

8. Chinese Industrial Enterprise Survey

9. Others

- Census: 1982, 1990, 2000, 2010, 2020
- China Migrant Dynamics Survey(CMDS): 2011-2018
- Urban Household Survey: 1996-2009

Why we have to learn

Why Study Labor Economics?

👨‍💼 1. Personal Relevance: You ARE the Labor Market

Most of us will spend 30-40 years in the labor market. Understanding it helps with crucial life decisions:

🎓 Education Choices:

- Why invest in university education?
- Which major offers the best returns?
- Is graduate school worth it?

✈️ Career Decisions:

- Study abroad or work domestically?
- Public sector vs. private sector?
- Entrepreneurship vs. employment?

💰 Economic Decisions:

- How much to invest in skills?
- When to change jobs?
- Work-life balance trade-offs?

🗺️ Geographic Choices:

- Which cities offer better opportunities?
- Cost of living vs. wage premiums?
- International mobility decisions?

🎯 **Your career is your biggest investment — understand it!**

🌍 2. Social Responsibility: Understanding Society's Challenges

As educated citizens, we need to understand major societal issues:

📈 Inequality and Social Mobility:

- Why is inequality rising globally?
- How does education affect social mobility?
- What role does family background play?

👥 Demographic Transitions:

- Aging populations and labor supply
- Gender equality in the workplace
- Intergenerational mobility

🧠 **These issues affect everyone — understand them to engage meaningfully**

Why Study Labor Economics? (cont.)

🏛️ 3. Policy Relevance: Informing Public Debate

Labor economics directly informs major policy decisions that affect millions:

📜 Recent Policy Questions:

- Extending retirement age
- Subsides for childcare and parental leave
- Effects of labor law reforms

🔮 Future Policy Challenges:

- Universal Basic Income debates
- Automation and job displacement
- Platform worker protections

🗣️ **Informed citizens make better policy decisions**

🎓 4. Academic and Professional Relevance

Labor Economics is a core discipline taught across multiple programs worldwide:

🏢 Academic Programs:

- Economics Departments
- Business Schools
- Public Policy Schools
- Industrial Relations Programs
- Public Health Schools

💼 Career Applications:

- Consulting: McKinsey, Bain, BCG
- Government: Ministry of Labor, central banks
- International Organizations: World Bank, ILO, OECD
- Private Sector: HR analytics, strategy
- Think Tanks: Policy analysis
- AI companies: ChatGPT, Anthropic, etc.

💡 **Versatile skills that open many career paths**

The Future of Work and You

Whatever career path you choose, the future of work is changing rapidly

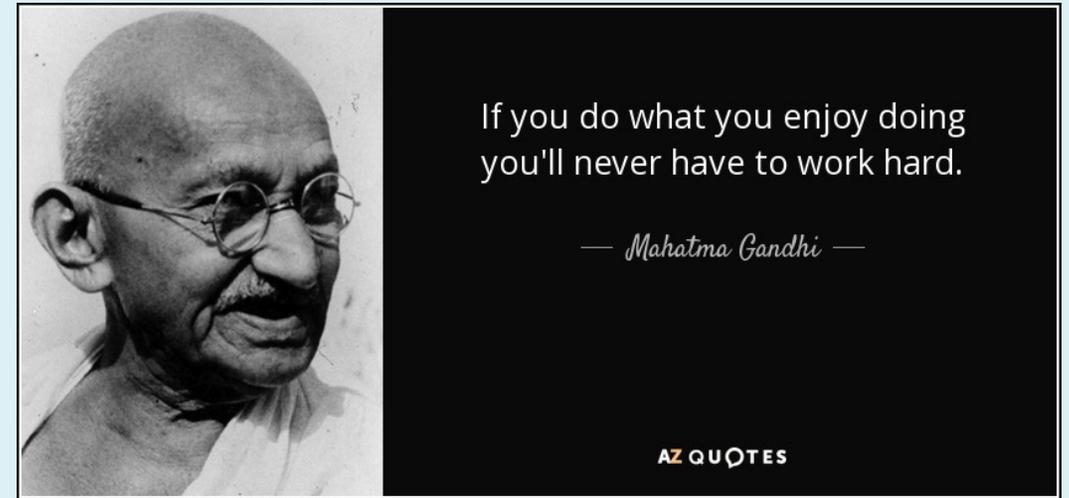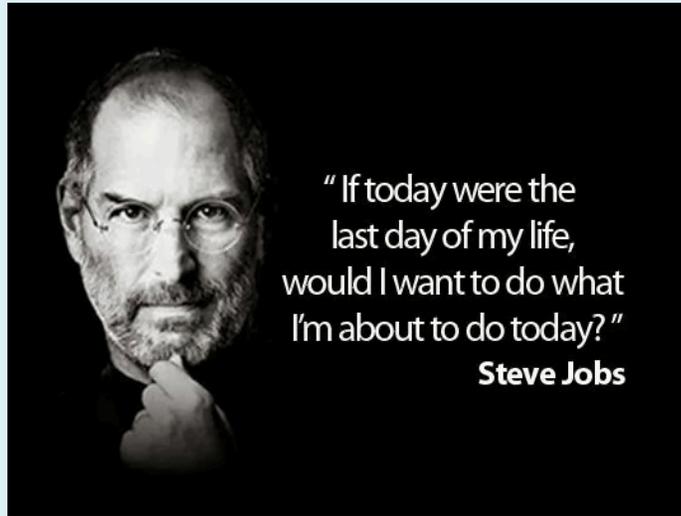🎓 **How to study in college and beyond (2025):**

💡 Hard Skills:

- Quantitative skills: Econometrics, Statistics, etc.
- Computer skills: Office, R, Python, Stata, etc.
- Language skills: Chinese and English

🎯 Soft Skills:

- Presentation skills: How to present your ideas clearly and effectively
- Teamwork skills: How to work with others effectively
- Critical thinking skills: How to think critically and creatively

✨**Fortunately, you could improve all these skills in this course more or less.**

Whoever and Whatever

"If today were the last day of my life, would I want to do what I'm about to do today?"
Steve Jobs

If you do what you enjoy doing you'll never have to work hard.

— *Mahatma Gandhi* —

AZ QUOTES

- Every choice you make has an opportunity cost,try your best to make a wise one.

- **Please think it over before enrolling!**

- **Once committed,please work hard on it!**

- **And remember, enjoy the process of working hard!**

- Enjoy doing something seriously and cultivate a special quality for yourself!

Course Logistics

About Me and the Course

- My name is Zhaopeng Qu(曲兆鹏)

    - Associate Professor, Institute of Population Studies, Business School.
    - Research Fields: Labor Economics and Applied Econometrics
    - Email: qu@nju.edu.cn

- Online Resources

    - Our Course Website: https://byelenin.github.io/LaborEcon2025/

    - Wechat group: You can create one (though it's not required) to discuss anything related to the course.

The Procedure of the Course

The First Part - Lecture:

- Introduce the underlying theoretical problems briefly and focus on the empirical strategy heavily
- Focus on some specific examples in classical papers with interesting topics in our field

The Second Part - Discussion:

- Read some news and articles related to labor economics in China
- Discuss and debate related topics in the class

The Third Part: Your Own Research

- Research Proposals and Presentations (in the end of the term)

- For details, please refer to the course website

Evaluation

**Class Participation and Performance (10%)**

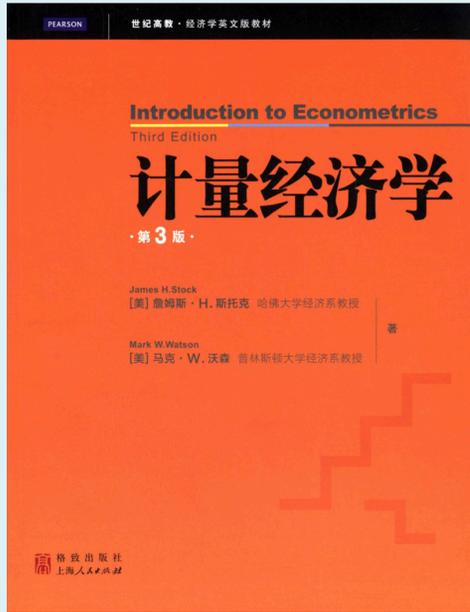**Discussion in Class (30%)**

Research Proposal (60%)

Textbooks
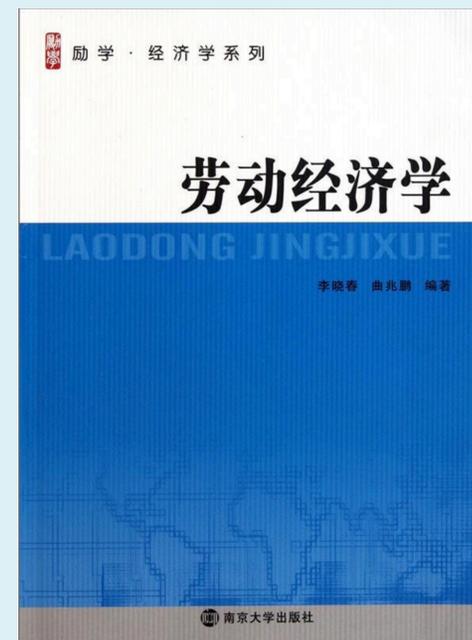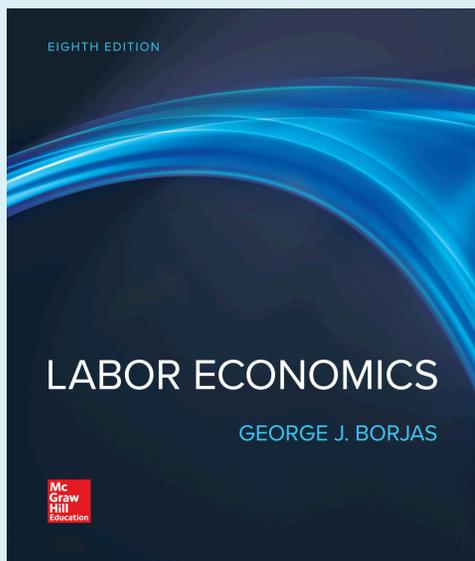
- George Borjas (2019), *Labor Economics, eighth edition, McGraw-Hill Inc.*

  - the most popular undergraduate textbook in U.S. and Europe

- 陆铭（2007），《劳动和人力资源经济学——经济体制与公共政策》，上海人民出版社。（最新版本：陆铭、梁文泉和夏依然，2025，格致出版社）

- 李晓春和曲兆鹏（2011），《劳动经济学》，南京：南京大学出版社。（最新版本：北京大学出版社，即将出版）

Additional Econometrics Books
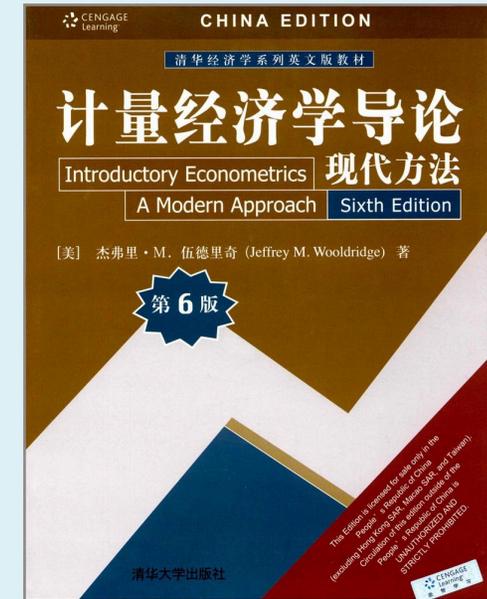
- James Stock and Mark Watson, *Introduction to Econometrics*, Addison-Wesley, 2007.

- Joshua D. Angrist & Jorn-Steffen Pischke, (2014). Mastering 'metrics: The Path from Cause to Effect. Princeton University Press. （中译本：《精通计量：从原因到结果的探寻之路》，格致出版社，2018）

- Jeffrey M. Wooldridge,(2012). Introductory Econometrics: A Modern Approach, 5th or 6th Edition, South-Western College. （中译本：《现代计量经济学导论》，中国人民大学出版社，2013）

Interesting Books
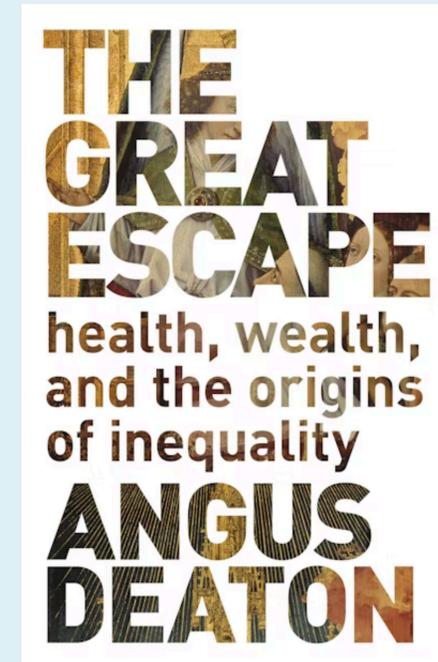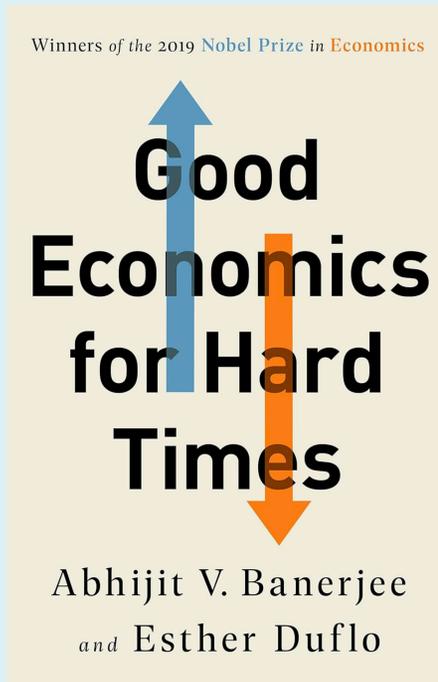
- Abhijit V. Banerjee and Esther Duflo (2019), Good Economics for Hard Times. （中译本《好的经济学》，中信出版社，2020年1月。）

- Augus Deaton (2015), The Great Escape: Health, Wealth, and the Origins of Inequality. （中译本《逃离不平等：健康、财富和不平等的起源》，中信出版社，2017年1月。）

Promise and Expectation

What I promise to offer you

- Help you build a solid theoretical foundation of labor economics

- Familiarize with some classical and latest applications in labor economics

- Guide you pay more attention to the realities in Chinese labor market

- **A good score?**

    ○ It depends on you.

What I expect to you

- Class participation with a little bit aggressive attitude.

    ○ More questions, more scores!

- Read required materials, understand the content in lectures and participate in the class discussion

Two Iron Rules

- **Maintain integrity and honesty in all academic work!**

- How to use AI tools properly in your study and research? please follow my instruction.

- **Don't ever snitch your teachers to help political repression!**

Welcome contact me