

Lec 0: An Introduction to Modern Labor Economics

Labor Economics, Fall 2023

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Main Content

- 1 What is Labor Economics and Why We Have to Learn?
- 2 Five Unique Characteristics
- 3 Labor Economics in China
- 4 Textbooks and Evaluation

Section 1

What is Labor Economics and Why We Have to Learn?

What is Economics?

- Economics is a social science studying the allocation of scarce resource used to satisfy the unlimited human wants.
 - **Social Science: a disciplines concerned with society and the relationships among individuals within a society.**
- Not only an instrument of analyzing but a way of thinking.

Labor Economics

- Labor Economics studies how the labor market works by an economic perspective.
- It includes
 - ① The mechanism of labor market
 - ② The allocation of the human resources within a firm
 - ③ Unemployment and income distribution

Typical Questions

- Why people with higher education earned more money than those with lower ones?
- What is the impact of immigration on the wage and employment opportunities of native-born workers?
- Do minimum wages increase the unemployment rate of less-skilled workers?

Chinese Specific Issues

- What are responsible for the increasing inequality in China? (收入差距)
- Has rural-to-urban migration lowered wages and increased unemployment of urban residents? (城乡移民—“农民工”)
- Should the government loose the "one-child policy"? (计划生育)

Classical Content

- Labor Supply and Demand (劳动供给和需求)
- Human Capital (人力资本)
- Compensating wage differentials (补偿性工资差异)
- Discrimination (歧视)
- Migration (迁移)
- Wage and Income Inequality (工资与收入不平等)
- Unemployment (失业)

Why we have to learn

- Most of us will spend substantial time in our lives on the labor market.
- So learning labor economics certainly can help you think a lot of things related with your own life.
 - ① Why you go to NJU and learn economics?
 - ② Whether you should go aboard for study or just take a job in the market when you graduate in two years?
 - ③ Should you spend much more time on studying English than studying Labor Economics?

Why we have to learn

- As a people, especially an **educated** one in a certain society, we have to think some bigger issues and analyze some interesting and controversy phenomenon
 - ① Why the inequality level in China is so higher than most other transition countries?
 - ② Why there are so many migrant workers in cities and how much is their contribution to the miracle of economic growth in China?
 - ③ Why a lot of college graduates can not find a job every year while a lot of employers say that they are short of labor?

Why we have to learn

- There are so many public policies in our public life highly related with labor economics.
 - ① Has the new Labor Law implemented affected on wage and employment in China?
 - ② Should the government delay the official age of retirement for workers?
 - ③ Who will get more benefit from income tax reduction? and how people will react to the policy change?

Why we have to learn

- Labor Economics is a very important sub-discipline in Economics.
- A main course in most famous universities all over the world and it is delivered in different levels by different programs such as
 - a) Department of Economics
 - b) Business School
 - c) Public Affairs and Administration School
 - d) School of Labor and Industrial Relations
 - e) School of Public Health

A Brief History

- Early Stage: Smith(1776), Marshall(1890), Hicks(1932)
- In 1940s, labor economics became a autonomous discipline in US at the hands of John Dunlop, Clark Kerr, Richard Lester and Lloyd Reynolds.
- Their approach which was primarily descriptive was to take the institutional specifics of labor market into account.
- The first textbook by Lloyd Reynolds named *Labor economics and labor relations*, published in 1949 , was reference text for over 20 years.

A Brief History

- The first generation textbooks of modern labor economics by [Belton Fleisher\(1970\)](#) and [Richard Freeman\(1972\)](#).
- Since then, labor economics has undergone the same evolution as many other fields.
- So let us see what is the characteristics of Modern Labor Economics now?

Section 2

Five Unique Characteristics

Characteristics No.1

- More complex than others relatively because we focus on human behaviors directly by a economic view in Labor Economics.
 - ① There are so many **non monetary factors** can affect the human decisions. More culture/psychology factors also work.
 - ② There are so many **organizations** such as government and NGOs and **institutions** such as laws, disciplines etc. besides firms and workers playing key roles in Labor Economics.

Characteristics No.2

- Empirical analysis is more common and relies on more diverse sources of data in labor economics than economics more generally.
 - a) Almost 80% use empirical analysis
 - b) 2/3 use Micro data(Q-what is Micro data?)
- In the 1970s micro data started to out-number time series data. By the mid 1990s micro data was 10 times of time-series data.
- In other fields the two types of data are more evenly split.

Moffit (1999)

Table 1

Empirical and econometric work in labor economics, 1985–1997^a (numbers of articles and methods)

	1985–1987	1995–1997
<i>All articles</i>	440	295
With empirical content	278	227
Without empirical content	162	68
<i>Types of datasets used</i>		
Cross-section	113	74
Panel	97	118
Repeated cross-section	40	46

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Angrist and Krueger(1999)

Table 1
Percent of articles in each category^a

	Labor economics articles					All fields
	1965–1969	1970–1974	1975–1979	1980–1983	1994–1997	1994–1997
Theory only	14	19	23	29	21	44
Micro data	11	27	45	46	66	28
Panel	1	6	21	18	31	12
Experiment	0	0	2	2	2	3
Cross-section	10	21	21	26	25	9
Micro dataset						
PSID	0	0	6	7	7	2
NLS	0	3	10	6	11	2
CPS	0	1	5	6	8	2
SEO	0	4	4	0	1	0
Census	3	5	2	0	5	1
All other micro datasets	8	14	18	27	38	21
Time series	42	27	18	16	6	19
Census tract	3	2	4	3	0	0
State	7	6	3	3	2	2
Other aggregate cross-section	14	16	8	4	6	6
Secondary data analysis	14	3	3	4	2	2

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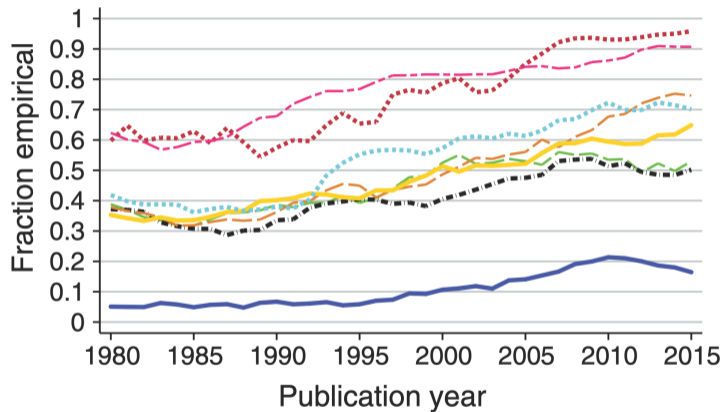
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Angrist et al(2017)



Characteristics No.3

- Use edge cutting econometric and statistical methods.
- Outside of time-series econometrics, many and perhaps most innovations in econometric technique and style since the 1970s were motivated by research on labor-related topics.
 - a) *Sample selection models to female labor supply*
 - b) *Matching for training program*
 - c) *Instrumental Variables for returns to schooling*
 - d) *Regression Discontinuity for scholarship application*
 - e) *DID for minimum wage*

Characteristics No.4

- Some sub-disciplines birth from labor Economics.
 - a) Health Economics
 - b) Economics of Education
 - c) Personnel Economics
- Some sub-disciplines highly correlate with it.
 - a) Development Economics
 - b) Population Economics
 - c) Macro Economics
 - d) Urban/Social Economics

Characteristics No.5

- Most Important and inspired: In my opinion, it is the most *interesting sub-disciplines* in Economics.
- Two Interesting Samples
 - *Freakonomics* written by [Steven Levitt](#).
Eg. Abortion in Romania
 - *Economic Gangster* written by [Raymond Fisman](#) and [Edward Miguel](#).
Eg. What is it worth to be the president's son?

Section 3

Labor Economics in China

Labor Economics in China

- Now you are studying one of the most **promising** and **internationalizing** fields in China economic studies.
 - More and more surveys are on the way, so more and more data sets are available in the following years.
 - More and more opportunities to communicate with international scholars.
 - More and more grants to support the research.
 - More and more publishing opportunities.

Data Sets in China

1. Chinese Household Income Project(CHIPs)

- Principle Investigator: Zhao Renwei(CASS) and Li Shi(BNU)
- 1988,1995,2002,2007,2013,5 waves cross-section data.
- The first large scale and most well known Chinese household surveys in the international academia.
- Based on the data sets, hundreds of papers have been published in the high-class international and domestic academic journals.

Some Data Sets

2. Chinese Health And Retirement Longitudinal Survey (CHARLS)

- Principle Investigator: Zhao Yaohui (CCER) and John Strauss(USC)
- 2008(pilot),2011(baseline-nation wide),2012(wave 2 in pilot) 2013(wave 2),2014(wave 3 for Life History Survey),2015(wave 4)
- Found by National Institutes of Health(USA) and National Science Foundation(China)
- As a part of worldwide survey on the middle-age and elderly. (age>45)

Some Data Sets

3. Rural to Urban Migration in China

- Principle Investigator: Meng Xin(AUS), Li Shi(BNU)
- 2008,2009,2010,3 waves panel data
- The first panel one targeting on migrants in China.
- Found by AusAID, Ford Foundation and IZA.

Some Data Sets

4. Chinese Health and Nutrition Survey(CHNS)

Very good data sets for health and it is Panel

5. Chinese Family Panel Survey (CFPS)

6. China General Social Survey(CGSS)

7. China Labor-force Dynamics Survey(CLDS)

8. Chinese Industrial Enterprise Survey

9. Others

- Census
- ...
- The last: data from statistics year books

Labor Economics in China

- Several Top Journals published by Chinese Economists.
- 1) Shan-jin Wei and Xiaobo Zhang, "The Competitive Saving Motive: Evidence from Rising Sex Ratios and Savings in China", *Journal of Political Economy*, 119(3),2011.

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- 2) Hongbin Cai(GSM,Peking),Chen Yuyu(GSM,Peking) and Hanming Fang(Yale),"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*](#).

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- 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) 118(1), February 2010,pp.1-38.

In General

Whatever you would like to be

- How to learn in college in 2022?
- Be a practical idealist...
- Enjoy doing things seriously what you like and cultivate a special quality for yourself!

Section 4

Textbooks and Evaluation

Reference Textbook

English Textbooks

- Borjas G.(2010), *Labor Economics, fifth edition, McGraw-Hill Inc.*
- the most popular undergraduate textbook in U.S

Reference Textbook

Textbooks in Chinese

- 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。(新版本: 陆铭和梁文泉, 2017, 格致出版社)
- 蔡昉、都阳、高文书和王美艳 (2009), 《劳动经济学——理论与中国现实》, 北京师范大学出版社。(新版本, 蔡昉和张车伟, 2015, 中国社会科学出版社)
- 李晓春和曲兆鹏 (2011), 《劳动经济学》, 南京: 南京大学出版社。

Additional Econometrics Books

- James Stock and Mark Watson, *Introduction to Econometrics*, Addison-Wesley, 2007.
- Jeffrey M. Wooldridge, *Introductory Econometrics: A Modern Approach*, Thomson, 2005.

Interesting Books

- Steven D. Levitt and Stephen J. Dubner, *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*, 2005. (中译本《魔鬼经济学》斯蒂夫 ■ 列维特、斯蒂芬 ■ 都伯纳著, 广东经济出版社, 2006 年 1 月。)
- Steven D. Levitt and Stephen J. Dubner, *SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance*, 2009. (中译本,《超爆魔鬼经济学》, 斯蒂夫 ■ 列维特、斯蒂芬 ■ 都伯纳著, 中信出版社, 2010 年 1 月。)

Interesting Books

- Ian Ayres, Super Crunchers: Why Thinking-By- Numbers is the New Way To Be Smart, 2007. (中译本《超级数字天才》，伊恩 ■ 艾瑞斯著，中国青年出版社，2008 年 1 月。)
- Raymond Fisman and Edward Miguel, Economic Gangster: Corruption, Violence and the Poverty of Nations, 2008. (中译本《经济黑帮：腐败、暴力的黑帮经济学》，中信出版社，2010 年 8 月。)

What I promise to offer you

- Prepare lectures as well as possible
- Help you familiarize with some classical issues in labor economics and several hot topics about Chinese labor market.
- Guide you pay more attention to the realities of China
- A good score?

What I Expect From You

- Attend the class and discuss the topics with a little bit “aggressive” attitude.
 - “More questions, More scores” if you really care about the scores...
- Read required materials, understand the content in lectures and finish your homework independently.

Evaluation

- Class Participation and Performance(10%)
- Discussion and Homework (30%)
- Final Exam (60%):
 - **Language:** Questions will be written in English. Answering in both English and Chinese will be fine.
 - **Open-Book Exam:** You are allow to take textbooks, slides and other materials.

Two Rules



Two Rules



Don't ever snitch your teachers to help political persecutions!

Welcome Contact Me

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 - Office Room: 安中楼 2017
 - Office Hours: by appointment

Q & A

