

# Contents

---

## Chapter 1

### Introduction to Labor Economics 1

- 1-1 An Economic Story of the Labor Market 2
- 1-2 The Actors in the Labor Market 3
- 1-3 Why Do We Need a Theory? 7
- 1-4 The Organization of the Book 10
  - Summary 11
  - Review Questions 11
  - Web Links 12
  - Key Concepts 20

### Appendix:

### An Introduction to Regression Analysis 12

## Chapter 2

### Labor Supply 21

- 2-1 Measuring the Labor Force 22
- 2-2 Basic Facts about Labor Supply 24
- 2-3 The Worker's Preferences 27
- 2-4 The Budget Constraint 31
- 2-5 The Hours of Work Decision 33
- 2-6 To Work or Not to Work? 39
- 2-7 The Labor Supply Curve 42
- 2-8 Estimates of the Labor Supply Elasticity 45
- 2-9 Labor Supply of Women 50
- 2-10 Policy Application: Welfare Programs and Work Incentives 54
- 2-11 Policy Application: The Earned Income Tax Credit 59
- 2-12 Labor Supply over the Life Cycle 64
- 2-13 Policy Application: The Decline in Work Attachment among Older Workers 74
  - Theory at Work: Dollars and Dreams* 40
  - Theory at Work: Winning the Lotto Will Change Your Life* 43
  - Theory at Work: Work and Leisure in Europe and the United States* 48
  - Theory at Work: Cabbies in New York City* 69
  - Theory at Work: Weather and Leisure* 73
  - Theory at Work: The Notch Babies* 75

- Summary 79
- Key Concepts 80
- Review Questions 80
- Problems 80
- Selected Readings 83
- Web Links 83

## Chapter 3

### Labor Demand 84

- 3-1 The Production Function 85
- 3-2 The Employment Decision in the Short Run 88
- 3-3 The Employment Decision in the Long Run 94
- 3-4 The Long-Run Demand Curve for Labor 98
- 3-5 The Elasticity of Substitution 105
- 3-6 Policy Application: Affirmative Action and Production Costs 106
- 3-7 Marshall's Rules of Derived Demand 109
- 3-8 Factor Demand with Many Inputs 112
- 3-9 Overview of Labor Market Equilibrium 114
- 3-10 Policy Application: The Employment Effects of Minimum Wages 115
- 3-11 Adjustment Costs and Labor Demand 126
- 3-12 Rosie the Riveter as an Instrumental Variable 133
  - Theory at Work: California's Overtime Regulations and Labor Demand* 104
  - Theory at Work: The Minimum Wage and Puerto Rican Migration* 124
  - Theory at Work: Work-Sharing in Germany* 132
- Summary 139
- Key Concepts 139
- Review Questions 140
- Problems 140
- Selected Readings 143

## Chapter 4

### Labor Market Equilibrium 144

- 4-1 Equilibrium in a Single Competitive Labor Market 145
  - 4-2 Competitive Equilibrium across Labor Markets 147
  - 4-3 Policy Application: Payroll Taxes and Subsidies 152
  - 4-4 Policy Application: Payroll Taxes versus Mandated Benefits 161
  - 4-5 Policy Application: The Labor Market Impact of Immigration 164
  - 4-6 The Economic Benefits from Immigration 179
  - 4-7 Policy Application: Hurricanes and the Labor Market 182
  - 4-8 The Cobweb Model 185
  - 4-9 Noncompetitive Labor Markets: Monopsony 187
  - 4-10 Noncompetitive Labor Markets: Monopoly 194
    - Theory at Work: The Intifadah and Palestinian Wages* 146
    - Theory at Work: The Great Black Migration* 180
- Summary 197  
 Key Concepts 198  
 Review Questions 198  
 Problems 198  
 Selected Readings 202  
 Web Links 202

## Chapter 5

### Compensating Wage Differentials 203

- 5-1 The Market for Risky Jobs 204
- 5-2 The Hedonic Wage Function 210
- 5-3 Policy Application: How Much Is a Life Worth? 215
- 5-4 Policy Application: Safety and Health Regulations 218
- 5-5 Compensating Differentials and Job Amenities 221
- 5-6 Policy Application: Health Insurance and the Labor Market 226

- Theory at Work: "People" People* 214
- Theory at Work: Life On the Interstate* 218
- Theory at Work: Jumpers in Japan* 221

- Summary 229
- Key Concepts 230
- Review Questions 230
- Problems 230
- Selected Readings 234
- Web Links 234

## Chapter 6

### Human Capital 235

- 6-1 Education in the Labor Market: Some Stylized Facts 236
  - 6-2 Present Value 238
  - 6-3 The Schooling Model 238
  - 6-4 Education and Earnings 245
  - 6-5 Estimating the Rate of Return to Schooling 250
  - 6-6 Policy Application: School Construction in Indonesia 253
  - 6-7 Policy Application: School Quality and Earnings 255
  - 6-8 Do Workers Maximize Lifetime Earnings? 259
  - 6-9 Schooling as a Signal 262
  - 6-10 PostSchool Human Capital Investments 268
  - 6-11 On-the-Job Training 269
  - 6-12 On-the-Job Training and the Age-Earnings Profile 274
  - 6-13 Policy Application: Evaluating Government Training Programs 279
    - Theory at Work: Destiny at Age 6?* 249
    - Theory at Work: War and Children's Academic Achievement* 258
    - Theory at Work: Is the GED Better Than Nothing?* 267
    - Theory at Work: Earnings and Substance Abuse* 278
- Summary 281  
 Key Concepts 282  
 Review Questions 282  
 Problems 283

Selected Readings 287

Web Links 287

## Chapter 7

### The Wage Structure 288

- 7-1 The Earnings Distribution 289
- 7-2 Measuring Inequality 291
- 7-3 The Wage Structure: Basic Facts 294
- 7-4 Policy Application: Why Did Wage Inequality Increase? 297
- 7-5 The Earnings of Superstars 306
- 7-6 Inequality across Generations 309
  - Theory at Work: Computers, Pencils, and the Wage Structure* 303
  - Theory at Work: Rock Superstars* 308
  - Theory at Work: Nature versus Nurture* 312
- Summary 312
- Key Concepts 313
- Review Questions 313
- Problems 313
- Selected Readings 316
- Web Links 317

## Chapter 8

### Labor Mobility 318

- 8-1 Geographic Migration as a Human Capital Investment 319
- 8-2 Internal Migration in the United States 320
- 8-3 Family Migration 326
- 8-4 Immigration in the United States 329
- 8-5 Immigrant Performance in the U.S. Labor Market 331
- 8-6 The Decision to Immigrate 337
- 8-7 Policy Application: Labor Flows in Puerto Rico 343
- 8-8 Policy Application: Intergenerational Mobility of Immigrants 345
- 8-9 Job Turnover: Facts 350
- 8-10 The Job Match 354
- 8-11 Specific Training and Job Turnover 355
- 8-12 Job Turnover and the Age-Earnings Profile 357
  - Theory at Work: Migration and EU Expansion* 325
  - Theory at Work: Power Couples* 329

*Theory at Work: Hitler's Impact on the Production of Theorems* 341

*Theory at Work: Hey Dad, My Roommate Is So Smart, I Got a 4.0 GPA* 350

*Theory at Work: Health Insurance and Job-Lock* 355

- Summary 360
- Key Concepts 361
- Review Questions 361
- Problems 361
- Selected Readings 365
- Web Links 366

## Chapter 9

### Labor Market Discrimination 367

- 9-1 Race and Gender in the Labor Market 368
- 9-2 The Discrimination Coefficient 370
- 9-3 Employer Discrimination 371
- 9-4 Employee Discrimination 378
- 9-5 Customer Discrimination 379
- 9-6 Statistical Discrimination 381
- 9-7 Experimental Evidence on Discrimination 386
- 9-8 Measuring Discrimination 387
- 9-9 Policy Application: Determinants of the Black-White Wage Ratio 391
- 9-10 Discrimination against Other Groups 399
- 9-11 Policy Application: Determinants of the Female-Male Wage Ratio 402
  - Theory at Work: Beauty and the Beast* 377
  - Theory at Work: Discrimination in the NBA* 382
  - Theory at Work: "Disparate Impact" and Black Employment in Police Departments* 394
  - Theory at Work: Shades of Black* 398
  - Theory at Work: 9/11 and the Earnings of Arabs and Muslims in the United States* 401
  - Theory at Work: Orchestrating Impartiality* 405
- Summary 410
- Key Concepts 411
- Review Questions 411
- Problems 411
- Selected Readings 416
- Web Links 416

## Chapter 10

### Labor Unions 417

- 10-1** Unions: Background and Facts 418
- 10-2** Determinants of Union Membership 422
- 10-3** Monopoly Unions 428
- 10-4** Policy Application: Unions and Resource Allocation 430
- 10-5** Efficient Bargaining 432
- 10-6** Strikes 438
- 10-7** Union Wage Effects 444
- 10-8** Nonwage Effects of Unions 450
- 10-9** Policy Application: Public-Sector Unions 453
  - Theory at Work: The Rise and Fall of PATCO* 427
  - Theory at Work: Occupational Licensing* 449
  - Theory at Work: Do Teachers' Unions Make Students Better Off?* 454
  - Theory at Work: Lawyers and Arbitration* 456
- Summary 457
- Key Concepts 457
- Review Questions 458
- Problems 458
- Selected Readings 462
- Web Links 462

## Chapter 11

### Incentive Pay 463

- 11-1** Piece Rates and Time Rates 464
- 11-2** Tournaments 471
- 11-3** Policy Application: The Compensation of Executives 477
- 11-4** Work Incentives and Delayed Compensation 480
- 11-5** Efficiency Wages 484
  - Theory at Work: Windshields by the Piece* 468
  - Theory at Work: \$15 Per Soul* 471
  - Theory at Work: Incentive Pay Gets You to LAX on Time* 473
  - Theory at Work: Playing Hard for the Money* 476
  - Theory at Work: Do Men Compete More Than Women?* 479
  - Theory at Work: Did Henry Ford Pay Efficiency Wages?* 488

- Summary 493
- Key Concepts 493
- Review Questions 494
- Problems 494
- Selected Readings 497
- Web Links 497

## Chapter 12

### Unemployment 498

- 12-1** Unemployment in the United States 499
- 12-2** Types of Unemployment 506
- 12-3** The Steady-State Rate of Unemployment 508
- 12-4** Job Search 510
- 12-5** Policy Application: Unemployment Compensation 517
- 12-6** The Intertemporal Substitution Hypothesis 524
- 12-7** The Sectoral Shifts Hypothesis 526
- 12-8** Efficiency Wages Revisited 527
- 12-9** Implicit Contracts 531
- 12-10** Policy Application: The Phillips Curve 532
- 12-11** Policy Application: The Unemployment Gap between Europe and the United States 537
  - Theory at Work: The Long-Term of Graduating in a Recession* 505
  - Theory at Work: Jobs and Friends* 511
  - Theory at Work: Cash Bonuses and Unemployment* 519
  - Theory at Work: The Benefits of UI* 524
- Summary 540
- Key Concepts 541
- Review Questions 541
- Problems 542
- Selected Readings 545
- Web Links 546

### Mathematical Appendix: Some Standard Models in Labor Economics 547

### Indexes 558

- Name Index 558
- Subject Index 000