

Topics in Labor Economics

Instructor: Francesco Devicienti (20 hours)

Module I: Inequalities in the Labor Market: Workers, Firms and Institutions

Course description

This course focuses on inequalities generated in the labor market, owing to the heterogeneity of workers and firms, and their interaction with labor market institutions and the general evolution of the economic and social context. The approach will mostly be empirical, generally relying on the econometric analysis of large-scale longitudinal micro datasets, especially those of the matched employer-employee type. Emphasis will also be given on how to select a promising topic for your JMP in these or related areas, how to get the data and a proper empirical strategy, by focusing on discussing the elements that made particularly successful a number of papers selected below.

Evaluation

Students will be evaluated on the basis of a 1-hour written exam and an in-depth classroom presentation of an important recent paper in empirical labor from an assigned reading list (max 2 students per paper). During the presentation, students are expected to show that they master, and can critically discuss, the details of: (i) why the paper's topic is important, (ii) why the empirical strategy is appropriate, (iii) the pros and cons of the data used, (iv) any other selling point of the paper (e.g., policy implications, broader lessons, bridges to other literatures, etc.).

Meeting 1 (2 hours): 26 May 2020

Inequalities in the labor market. Definitions and preliminaries.

Topics:

Introduction to the course. Inequalities in the labor market. Definitions and preliminaries.

Competitive vs non-competitive labor markets. Longitudinal matched employer-employee data (LMEE).

Two-way fixed effect models (AKM models)

LLEE specificities, advantages and pitfalls. Available LMEE data and differences across the various datasets.

Data accession policies. Italian examples: INPS data and VisitINPS; COB (Veneto Lavoro), LFS from Istat, data from Inapp. Examples from other countries: IAB, Portugal, others.

Your way to publishing in a top journal in labor economics.

References:

D. Mortensen (2003) "Wage dispersion. Why are similar workers paid differently?", MIT press.

Abowd, John, Francis Kramarz, and David Margolis, "High Wage Workers and High Wage Firms," *Econometrica*, 67 (1999), 251–333.

A Manning (2011) "Imperfect Competition in Labour Markets," in O.Ashenfelter and D.Card (eds) *Handbook of Labor Economics*, volume 4, North-Holland.

P. Cahuc and A. Zylberberg (2004), "Labor Economics", MIT Press.

Borjas G (2016) *Labor Economics*, McGraw-Hill.

Meeting 2 (2 hours): 29 may 2020

Wage inequality, sorting, rent-sharing

Topics:

Wage inequality contributions of the sorting of workers to firms and of rent-sharing. Decomposition methods to study wage inequality. Matching worker's data with data on firm's financial information. Profit and loss accounts and balance sheets data (AIDA, Cerved).

References:

- Song, Price, Guvenen, Bloom, Von Wachter (2018) "Firming up inequality", *Quarterly Journal of Economics*.
- Card, Heining and Kline (2013) "Workplace heterogeneity and the rise of west Germany Wage Inequality", *Quarterly Journal of Economics*.
- Bartolucci, Devicienti, Monzon (2018) "Identifying assorting in practice", *AEJ: Applied Economics*.
- Card D, Devicienti F., A. Maida (2014) "Rent-sharing, hold-up and wages-Evidence from matched employer-employee data", *Review of Economic Studies*.
- Card D, Cardoso AR, Heining J, and Kline P (2018), "Firms and Labor Market Inequality: Evidence and Some Theory," *Journal of Labor Economics*, 36, S13–S70.
- Card D, Cardoso AR, Kline P (2016) "Bargaining, Sorting, and the Gender Wage Gap: Quantifying the Impact of Firms on the Relative Pay of Women", *Quarterly Journal of Economics*, 131.
- Devicienti F, Fanfani B. and A. Maida (2018) "Collective bargaining and the evolution of wage inequality in Italy", *WorkINPS Papers*, n. 12/2018, *British Journal of Industrial Relations*, forthcoming.
- Van Reenen J (1996) "The Creation and Capture of Rents: Wages and Innovation in a Panel of UK Companies," *Quarterly Journal of Economics*, 195–226.
- Fraquelli G. (2002) "Il Bilancio per i Manager", Casa editrice Ambrosiana.
- Kline P, Petkova N, Williams H, Zidar O (2019) "Who profits from Patents? Rent-sharing at innovative firms", *Quarterly Journal of Economics*
- Rapporto INPS (2019), *Distribuzione Personale e Funzionale del Reddito: Il caso Italiano*, cap. 7.
- Barth, E., A. Bryson, J. C. Davis, and R. Freeman (2016). It's where you work: Increases in the dispersion of earnings across establishments and individuals in the United States. *Journal of Labor Economics* 34(S2), S67–S97.

Meeting 3 (2 hours): 3 June 2019

Inequality and outsourcing

Topics:

The impact of outsourcing on wage inequality. Diff-in diff technique. Event-study analyses.

References:

- Goldschmidt D and Schmieder JF (2017) "The Rise of Domestic Outsourcing and the Evolution of the German Wage Structure," *Quarterly Journal of Economics*, 132, 1165–1217.

Meeting 4 (2 hours): 5 June 2019

Inequality and labor market reforms

Topics:

Evaluation of labor market reforms: impact of EPL on worker and firms. Diff-in diff technique; event-study analyses.

References:

Diego Daruich D, Di Addario S., Saggio R (2018) "The Effects of Partial Employment Protection Reforms: Evidence from Italy", working paper.

Leonardi M, G. Pica (2013) "Who pays for it? The heterogenous effects of employment protection legislation on wages", *Economic Journal*.

Berton F, Devicienti F, Grubanov S (2018) "Employment Protection Legislation and Mismatch: Evidence from a Reform, Working paper.

Meeting 5 (2 hours): 9 June 2020

Inequality and discrimination

Topics:

The effects of gender quota laws on firms and workers.

References:

Ahern K. R. and Dittmar A. K. (2012) The changing of the boards: the impact on firm valuation of female board representation. *The Quarterly Journal of Economics*, 127:137– 197.

Bertrand M., Black S. E., Jensen S. and Lleras-Muney A. (2014), *Breaking the glass ceiling?*

The effect of board quotas on female labor market outcomes in Norway. *Review of Economics Studies*, Forthcoming.

Comi S, Grasseni M, Origo F, Pagani L (2019) "Where Women Make the Difference. The Effects of Corporate Board Gender-Quotas on Firms' Performance Across Europe", *Industrial and Labor Relation Review*.

Maida A., Weber A. (2019) *Female Leadership and Gender Gap within Firms: Evidence from an Italian Board Reform*, WorkINPS paper, 2019.

Bagues, M., M. Sylos Labini and N. Zinovyeva. (2017) Does the Gender Composition of Scientific Committees Matter? *American Economic Review* 107(4): 1207-38.

Matsa D. A. and Miller A. R. (2013), A female style in corporate leadership? Evidence from quotas. *American Economic Journal: Applied Economics*, 5(3):136–169.

Ferrari G, Ferraro V, Profeta P, Pronzato C (2018) "Do Board Quotas Matter? Selection, Performance and Stock market effects", IZA WP no. 11462.

Meeting 6 (2 hours): 12 June 2020

Minimum wage, collective bargaining and inequality

Topics:

Effects of minimum wages and collective bargaining on workers and firms. Diff-in diff technique; event-study analyses.

References:

Cengiz D, Dube A, Lindner A, Zipperer B (2019) "The effect of minimum wages on low-pay jobs", *Quarterly Journal of Economics*.

Harasztosi H, Lindner A (2019) "Who pays for the minimum wage?", *American Economic Review*

Riley R, Rosazza Bondibene C (2017) Raising the standard: Minimum wages and firm productivity, *Labour Economics*.

Sturn S (2018), Do minimum wages lead to job losses? Evidence from Oecd countries on low-skilled and youth employment, *Industrial and Labor Relation Review*.

Fanfani B (2019) "The Employment effect of collective bargaining", working paper.

Devicienti F, Fanfani B (2020) "Firms' margins of Adjustment to Wage Growth. The case of Italian Collective Bargaining", working paper.

Meeting 7 (2 hours): 16 June 2019

Inequality and non-standard employment

Topics:

Pay premiums versus pay penalties for part-time and temporary work. Decomposition methods based on quantile regressions.

References:

Albanese A, Gallo G (2020) "Buy flexible, pay more: the role of temporary contracts on wage inequality", *Labour Economics*, forthcoming.

Devicienti F, Grinza E, Vannoni D (2020) "Why Do Firms (Dis-)like Part-time Contracts?"; working paper.

Meeting 8 (2 hours): 19 June 2019

Intergenerational transmission of inequalities

Topics:

Intergenerational transmission of entrepreneurship

References:

Matthew Lindquist, Joeri Sol, and Mirjan Van Praag. 2015. "Why Do Entrepreneurial Parents Have Entrepreneurial Children?" *Journal of Labor Economics*, 33(2).

Luigi Pistaferri, Luigi Guiso, and Fabiano Schivardi, 2020. "Learning Entrepreneurship From Other Entrepreneurs?" *Journal of Labor Economics*, forthcoming.

Michael Wyrwich. 2015. "Entrepreneurship and the intergenerational transmission of values." *Small Business Economics*, 45: 191-213.

Anders Hoffmann, Martin Junge, and Nikolaj Malchow-Møller. 2015. "Running in the family: parental role models in entrepreneurship." *Small Business Economics*, 44: 79-104.

Meeting 9 (2 hours): 23 June 2019

COVID-19, the Great Recession and inequality

Topics:

Impact of large economic shocks on 19 effects on workers and firms; COVID-19 and the Great Recession.

[Examples of great data collection effort; easy and clear methods, to get in a top-5.

COB+AIDA+ASIA+Credit register); initiative to find teams, co-authors; sound IV methods. Example of nice data collection, easy and clear methods, to get in a top-5.]

Reference:

Giroud X and Mueller H (2018) Firm leverage, consumer demand, and employment losses during the great recession, *Quarterly Journal of Economics*.

Berton F, S. Mocetti, A. Presbitero, M. Richiardi (2018) "Banks, firms and jobs", *Review of Financial Studies*.

Meeting 10 (2 hours): 26 June 2020

Exam: students presentation of papers from the course list (30' presentation)

Final exam – date to be decided

1 hour written exam