

Contents in Brief

1	Introduction to Labor Economics	1
2	Labor Supply	21
3	Labor Demand	84
4	Labor Market Equilibrium	144
5	Compensating Wage Differentials	203
6	Human Capital	235
7	The Wage Structure	288
8	Labor Mobility	318
9	Labor Market Discrimination	367

10	Labor Unions	417
11	Incentive Pay	463
12	Unemployment	498

**MATHEMATICAL APPENDIX:
SOME STANDARD MODELS IN
LABOR ECONOMICS 547**

**NAME INDEX 558
SUBJECT INDEX 566**

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
- Web Links 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: The Cost of Labor Disputes 441
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: Are Men More Competitive? 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 Effects 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 566