MIT 14.661 (Labor Economics) Fall 2024

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Key Ideas #1

I. US and OECD labor markets since the early 20th Century

- Important long-run trends
- Recent wage and employment trends
- American labor market institutions
- The Great Recession and post-pandemic labor markets: what just happened?
- Data sources and measuring labor force status
- II. Labor Supply (a look ahead)
 - Slutsky for Labor
 - Budget set bonanza
 - Application to tax and transfer programs
 - What's so special about homework?
 - Intertemporal labor supply
 - Intertemporal substitution vs. target earning

III. Metrics Tools (covered in recitation and independent reading)

- Regression review
- Measurement error models and measurement error consequences
- IV and 2SLS basics
- Maximum likelihood estimation of Probit

Major U.S. Social Insurance and Labor Legislation

- OASDI "Social Security"
 - \circ OA old age (1935)
 - o Survivors (1939)
 - o Disability insurance (1956)
- SSI Supplemental Security Income (1972)
 - Disability insurance for those with little or no work history; along with DI, of continued and growing importance
- Fair Labor Standards Act (FLSA; 1938) introduced federal minimum wage, overtime pay requirements, limits on child labor
- National Labor Relations Act (NLRA; 1935) the Wagner Act guaranteed right to organize (unionize), required employers to bargain w/elected union reps; established the
 - National Labor Relations Board (NLRB) to to monitor and certify union representation elections, and to investigate unfair labor practices
- Labor Management Relations Act (1947) the Taft-Hartley Act modified the Wagner Act to restrict some union practices (like political strikes)
 - Allowed states to pass right-to-work laws that effectively ban closed shops by not allowing unions to require membership as a condition of employment

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Data Ideas (big and small)

I. *Basic survey design*; design of the Current Population Survey (CPS) and American Community Survey (ACS).

II. *Sources of non-sampling error in major survey data sets*; non-interview, non-response, and the Census undercount. Imputation, rotation group bias, proxy response, sensitivity to interview technology (CATI/CAPI).

III. Reasons to weight survey data; consequences of weighting.

IV. *Theory of classical measurement error*; extent of measurement error in important labor market variables. Consequences of classical measurement error for regression estimates. The effect of covariates and differencing on attenuation bias.

V. *Characteristics and content of major research data sets, important changes to sample design and survey content*; CPS supplements and outgoing rotation groups, the CPS redesign, the ACS replaces Census long-form supplements.

References

J. Angrist and A. Krueger (1999), Sections 3 and 4 in "Empirical Strategies" chapter in the HOLE

A. Deaton (1997), The Analysis of Household Surveys

Section 3.4.1 in Mostly Harmless Econometrics

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U.S. Department of Labor, Bureau of Labor Statistics, *Concepts and Methods Used in Labor Force Statistics from the CPS*, BLS Report No. 463, Series P-20 No. 62, October 1976

Polivka, "Data Watch: The Redesigned Current Population Survey," *Journal of Economic Perspectives* 10 [3], Summer 1996, 169-180

H. Varian, "Big Data: New Tricks for Econometrics," J. of Economic Perspectives 28 (2014), 3-28.

L. Einav and J. Levin, "The Data Revolution and Economic Analysis," in *Innovation Policy and the Economy*, Volume 14 (2014)

Meyer, Bruce D., Wallace K. C. Mok, and James X. Sullivan, . "Household Surveys in Crisis." *Journal of Economic Perspectives*, 29 (2015): 199-226

E.L. Glaeser, S.D. Kominers, M. Luca, and N. Naik, "Big Data and Big Cities: The Promises and Limitations of Improved Measures of Urban Life," *Economic Inquiry* 56 (January 2018)

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