

12M005

## Macroeconomics of Labor Markets

Winter Term - 3 ECTS

Elective Course

Prof. Javier Fernández

### Prerequisites to Enroll

None.

### Overview and Objectives

A distinctive feature of Walrasian economies is that all markets clear. That is, no delay takes place when trading is mutually beneficial. This immediate implication appears to be at odds with the empirical evidence in many markets: unemployed workers coexist with vacant jobs in the labor markets, buying/selling in the housing market is not instantaneous, singles take time to find a suitable partner, etc. Modern macroeconomics has widely incorporated frictions, for instance, in financial, housing or marriage in addition to labor markets.

In this course, we will look at empirical evidence on labor market outcomes and then build theoretical models that can rationalize it. We will primarily use such models to discuss labor market policies such as unemployment insurance and layoff taxes. Moreover, we will study topics such as trends in wage inequality and job and wage polarization, trends in labor force participation, and the interaction between credit and labor markets and the effects of a credit crunch in the economic activity.

The material will be uploaded to the course Box folder.

### Course Outline

1. Implications from a perfectly competitive equilibrium model. Empirical evidence on labour markets.
2. Search and matching models of a frictional labor market.
  - a. Exogenous supply of jobs. The worker's search decision.
  - b. Two-sided random search
3. Policy Analysis. Unemployment Insurance.
4. Labor and Financial Markets. Credit Crunch.
5. Wage Inequality and Job and Wage Polarization.
6. Labor Force Participation.

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### Required Activities

There will be problem sets. Students are encouraged to discuss these and work together (the exact procedure will be discussed at the beginning of the course). Also, students are required to read the papers covered in class.

### Evaluation

Students are expected to successfully complete 3 problem sets and a final exam. The final exam will account for 85% of the final grade, and the assignments for the remaining 15%. Furthermore, each paper covered in class will be assigned randomly to a student for a 5-minute summary.

### Competences

- That students know how to apply the acquired knowledge and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their field of study.
- That students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.
- To identify and apply the insights of the theory, the models, and the analytical tools of modern economy to its global dimension.
- To evaluate, with theoretical and quantitative instruments, the complex realities of the economy to understand the way it works.

### Learning Outcomes

- Applies numerical calculation methods and simulation techniques for macroeconomic problems and design of policy evaluation.
- Empirically characterizes relevant phenomena from the macroeconomic point of view.

### Professor's Information

You can reach me (Javier Fernández-Blanco) at [Javier.fernandez@uab.cat](mailto:Javier.fernandez@uab.cat). My office is B3-188 at the Economics Department of the UAB.

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### Materials

#### Main Textbooks:

Pissarides, C. (2000) Equilibrium Unemployment Theory, MIT Press.

Ljungqvist, L., and Sargent, T.J. (2018). Recursive macroeconomic theory. MIT Pres.

#### Articles:

Acemoglu, D. and D.H. Autor (2012). "Skills, Tasks and Technologies: Implications for Employment and Earnings," Handbook of Labor Economics, 4.

Albanesi, S. and Aysegul Sahin (2018). "The Gender Unemployment Gap," Review of Economic Dynamics 30: 47-67.

Alvarez-Parra, F., & Sanchez, J. M. (2009). "Unemployment insurance with a hidden labor market." Journal of Monetary Economics, 56(7), 954-967

Blanchard, O., and F. Giavazzi (2003). "Macroeconomic Effects of Regulation and Deregulation in Goods and Labor Markets." The Quarterly journal of economics 118.3: 879-907.

Blanchard, J.O., and J. Tirole (2008). "The joint design of unemployment insurance and employment protection: a first pass," Journal of the European Economic Association 6.1: 45-77.

Buera, F J., R. N. Fattal Jaef, and Y. Shin. (2015) "Anatomy of a credit crunch: from capital to labor markets." Review of Economic Dynamics 18.1: 101-117.

Card, D., Chetty, R. and A. Weber (2007). "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market," Quarterly Journal of Economics, 122(4): 1511-1560.

Chetty, R. (2008). "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance," Journal of Political Economy, 116(2):173-234.

Chodorow-Reich, G. (2014) "The employment effects of credit market disruptions: Firm-level evidence from the 2008–9 financial crisis." The Quarterly Journal of Economics 129.1: 1-59.

Dotsey, M., Fujita, S., & Rudanko, L. (2017). "Where Is Everybody? The Shrinking Labor Force Participation Rate," Economic Insights, 2(4), 17-24.

Duygan-Bump, B., A. Levkov, and J. Montoriol-Garriga (2015). "Financing constraints and unemployment: evidence from the Great Recession." Journal of Monetary Economics 75: 89-105.

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Feldstein, M. and D. Altman (2007). "Unemployment insurance savings accounts," *Tax Policy and the Economy*, Volume 21 (pp. 35-64), MIT Press.

Hendren, N. (2017). "Knowledge of future job loss and implications for unemployment insurance," *American Economic Review*, 107(7), 1778-1823.

Jaimovich, N. and H.E. Siu (2019). "The trend is the cycle: Job polarization and jobless recoveries," *Review Economics and Statistics*, forthcoming.

Kambourov, G. and Manovskii, I. (2008), "Rising occupational and industry mobility in the United States: 1968–97". *International Economic Review*, 49: 41–79

Krusell, P., T. Mukoyama, and A. Şahin (2010). "Labour-market matching with precautionary savings and aggregate fluctuations." *The Review of Economic Studies* 77.4: 1477-1507.

Ljungqvist, L. and T. Sargent (2008). "Two Questions About the European Unemployment," *Econometrica*, 76:1, 1-29

Meyer, B. (1990). "Unemployment insurance and unemployment spells," *Econometrica*, 58:4, 757-782

Michelacci, C. and H. Ruffo (2015). "Optimal Life Cycle Unemployment Insurance," *American Economic Review* 105 2 816-59

Neumark, D., Burn, I., and Button, P. (2019). "Is it harder for older workers to find jobs? New and improved evidence from a field experiment," *Journal of Political Economy*, 127(2), 922-970.

Petrolongo, B. and C. Pissarides (2001). "Looking into the black box: a survey of the matching function," *Journal of Economic Literature* 39: 390-431

Pries, M. and R. Rogerson (2005). "Hiring Policies, Labor Market Institutions, and Labor Market Flows," *Journal of Political Economy* 113:4, 811-839

Rogerson, R., R. Shimer and R. Wright (2005). "Search Models of the Labor Market: A Survey," *Journal of Economic Literature*, 43, 959-988.

Shimer, R. and I. Werning (2008). "Liquidity and Insurance for the Unemployed," *American Economic Review*, 98(5): 1922-1942.