Daily Objectives Since the Midterm

3 Labor Market Equilibrium

3.4 Long-Run Elimination of Discrimination

• Explain how market forces could eliminate discrimination in a perfectly competitive labor market.

3.5 Assumptions of the Labor Market in Perfect Competition

• Discuss how wage differences might arise between groups even if there were no discrimination.

4 Economic Explanations for Labor Market Differences by Race and Gender

4.1 Supply-Side (Choice) Explanations

4.1.1 Societal Discrimination

• Identify how societal discrimination affects wage-determining choice factors.

4.1.2 Human Capital

4.1.2.1 Education

• Define human capital and identify types of human capital investments.
• Using experience-earnings profiles, describe an individual's college investment decision.
• List 4 factors which affect an individual's demand for education and explain how they affect it.
• Explain how lower lifespans and less family support would affect the demand for education for African American men.
• Define depreciation and rebound effects.
• Graph the experience-earnings profile for a discontinuous worker.
• According to human capital (HC) theory, what fields of specialization will be avoided by individuals who expect career interruptions?

4.1.2.2 On-the Job Training

• Distinguish general training (GT) from firm-specific training (ST).
• When will an individual invest in on-the-job training (OJT)?
4.1.3 Imperfect Mobility

- Explain how imperfect mobility affects wages.

4.1.4 Occupational Choice

- Show graphically how differing job tastes for 2 groups can lead to crowding and lower pay rates for 1 group.

4.1.5 Union Membership

- Explain how gender and racial differences in the percentage of workers who are unionized would affect gender and racial wage gaps.

4.1.6 Compensating Wage Differentials

- Define compensating wage differentials, and explain how they can account for differing rates of pay and occupational distributions for women and men.

4.2 Demand Side (Discrimination) Explanations

4.2.1 Discriminatory Tastes

- Distinguish between prejudice and discrimination.
- Define “discrimination coefficient” for a customer, an employee, and an employer.
- Explain how discriminatory tastes affect decision-making processes by a customer, an employee, and an employer.
- Explain the effects of each of the preceding types of discriminatory tastes according to Gary Becker.
- Is it possible for there to be prejudice without it resulting in wage discrimination in each case?

4.2.2 Imperfect Information

4.2.2.1 Statistical Discrimination

- Define statistical discrimination.
- Give 2 or more examples of statistical discrimination in the U.S.
- Does statistical discrimination result from prejudice?
- How does it relate to the concept of perfect information in the labor market?

4.2.2.2 Workplace Communication Styles

- How can different workplace communication styles for feeling and thinking people affect wage rates? Why would perfect information eliminate this problem?
4.2.3 Occupational Discrimination and Overcrowding

- What is occupational discrimination?
- Why would occupational discrimination lead to “overcrowding.”
- Why would overcrowding result in lower wages for women than men? Show graphically.

4.2.4 Union Discrimination

- Is union discrimination a plausible explanation for gender wage gaps? racial wage gaps?

4.2.5 Feedback Effects

- Describe how discrimination in the labor market provides an incentive for women to take on traditional family roles.
- Describe how family roles can affect labor market outcomes.

5 Empirical Evidence Regarding Labor Market Discrimination

5.1 Personal Experience and Diary Evidence

- List and explain 3 reasons why personal experience and diary evidence are not reliable sources.

5.2 Facts

- Why are facts not conclusive regarding labor market discrimination?

5.3 Tabular Statistics

- Discuss a limitation of tabular evidence.

5.4 Econometric Analysis

5.4.1 Adjusted Wage Ratios

- Show a graph of a regression line.
- Define the terms unadjusted wage ratio and adjusted wage ratio.
- Identify the values of the adjusted wage ratio which are consistent with discrimination against a minority group, no discrimination, and reverse discrimination, respectively.
- How might the adjusted ratio overestimate or underestimate the extent of discrimination?
- What are the estimated adjusted wage ratios for women relative to men and for African Americans relative to whites, and what do they indicate about wage discrimination?

5.4.2 Dummy Variable Method

- Explain how to test for wage discrimination using a regression with a dummy variable.
5.4.3 Oaxaca Wage Gap Decomposition Technique

- Show algebraically that the wage gap between males and females \( \left( \bar{W}^m - \bar{W}^f \right) \) can be separated into a component due to productivity characteristics and a component due to coefficients.
- Estimate the components and the extent of discrimination given information on regression coefficients (the b’s) and means of the wage and education.
- How does one test for wage discrimination using the decomposition approach?
- How might the decomposition method overstate or understate discrimination?

5.5 Audit, Resume, and Sex-Blind Hiring Studies

- Explain the audit methodology for detecting discrimination.
- What were the findings of the 20/20 experiment?
- State and interpret the values of \( (P_{maj} - P_{min}) \) for the Urban Institute hiring study.
- Discuss the advantages and disadvantages of audit studies.
- Explain how resume studies are conducted.
- Give the main results of 2 resume studies (Bertrand and Mullainathan, 2004; Steinpreis, 2000).
- State the outcome of the hiring experiment done in class
- Describe the sex-blind hiring study, “Orchestrating Impartiality,” and the finding regarding gender discrimination.

5.6 Other Evidence

- How did Steven Levitt use contestant behavior in the “Weakest Link” game show to assess discrimination on the part of the contestants?
- What were the findings of the study?

6 Public Policy

6.1 Major Policies Addressing Labor Market Discrimination

- Summarize the following policies:
  - Equal Pay Act of 1963
  - Title VII of the Civil Rights Act of 1964
  - Executive Order 11246 as amended by 11375

6.2 Comparable Worth Policy

- Discuss what comparable worth policy requires and how it is implemented.
- Show graphically how comparable worth policy can result in layoffs in female-dominated occupations.
- Evaluate comparable worth as a policy tool for addressing discrimination in the workplace.

6.3 Affirmative Action
• What are some examples of affirmative action policies?
• Are quotas legal?
• What are some advantages and disadvantages of affirmative action programs?