Daily Objectives

I. Introduction

– Define labor market discrimination.
– Why do economists study labor market discrimination?

II. Historical and Current Labor Market Differences by Race and Gender

A. Earnings

– Define and calculate an earnings ratio (ER) and an earnings gap (GAP).
– List the current (2003 II) ERs for
  1. women and men
  2. African Americans and whites
– Indicate whether the trends in gender and race ERs are positive, negative or fairly constant in each of these periods.
  1. 1940-2003II
  2. 1980-2003II
  3. 1994-2003II

B. Unemployment

– Define unemployed and unemployment rate (UR).
– Explain 4 types of unemployment captured by the UR.
– Discuss 2 aspects of unemployment which are not included in the UR.
– List 4 consequences of unemployment.
– Compare the current unemployment rates for men, women, African Americans, whites, and teens by race.

C. Occupational Outcomes

– Write the equation for the Duncan and Duncan Index of Occupational Dissimilarity (D), a.k.a. Segregation Index.
– Explain the meaning of a particular value of D, and identify the range of values for D.
– Calculate D for an example.
– Has D increased, decreased or stayed the same over time for women and men and for African-Americans and whites?
– Identify the current extent of occupational segregation by race and gender.
IV.D. Labor Force Participation Rates
– Define labor force participation rate.
– Explain the discouraged worker and added worker effects of unemployment.
– List 3 factors which affected the LFPR of women in World War II.
– Indicate 2 reasons for the declining LFP of men since 1890.
– Explain why the LFP of women increased more than 3-fold since 1890.
– State the current LFPRs of women and men.
– Identify the shape of an age-participation profile.
– List 2 ways that the age-LFP profile differs for men and women today.
– Compare the LFPR trends for African-American and white women and for African-American and white men.

III. The Labor Market in Perfect Competition

A. Demand for Labor
– Define firm demand for labor \((d_l)\).
– State the firm’s profit-maximizing condition for optimal employment, and define your terms.
– Explain why the demand for labor curve slopes downward in the short run.
– Identify the determinants of the market demand for labor \((D_L)\).
– Show graphically and explain how changes in each determinant affects \(D_L\).

B. Supply of Labor
– Define individual labor supply \((s_l)\).
– State the utility-maximizing condition for the number of work-hours desired, and define your terms.
– Explain why the labor supply curve \((s_L)\) could “bend back” for some individuals.
– Identify the determinants of the market supply of labor \((S_L)\).
– Show graphically and explain how changes in each determinant affects \(S_L\).

C. Labor Market Equilibrium
– Determine equilibrium wage and employment levels graphically for a particular occupation.
– List the determinants of the equilibrium wage and employment levels for an occupation in perfect competition.
– Show graphically how a change in each determinant would affect the equilibrium wage and level of employment.
– Discuss how wage differences might arise between groups even if there were no discrimination.

D. Long-Run Elimination of Discrimination
– Explain how market forces could eliminate discrimination in a perfectly competitive labor market.

E. Assumptions of Labor Market in Perfect Competition
– State 5 conditions required for perfect competition in the labor market.
– Can assumptions be useful even if they are not true? Why or why not?
IV. Economic Explanations for Labor Market Differences by Race and Gender

A. Supply Side Explanations

1. Tastes and Societal Discrimination
   – Identify how societal discrimination affects wage-determining choice factors.

2. Human Capital
   a. Education
      – Using earnings-experience 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 wage and societal discrimination against college-educated minority workers would affect demand for education for minorities.
      – Define human capital and identify investments in your own human capital.
      – 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?
   b. On-the Job Training
      – Distinguish general training (GT) from firm-specific training (ST).
      – When will an individual invest in on-the-job training (OJT)?
      – Compare OJT investments for individuals anticipating continuous versus discontinuous work experience.
      – Identify a prediction of human capital theory which is not consistent with the real world.

3. Imperfect Mobility
   – Explain how imperfect mobility affects wages.

4. Occupational Choice
   – Show graphically how differing job preferences for two groups can result in occupational crowding and lower pay rates for one group.

5. Union Membership
   – Explain how differences in the percentage of workers who are unionized by gender would affect wage differences for women and men. For blacks and whites.

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.
IVB. Demand Side Explanations

1. Discriminatory Tastes
   – Distinguish between prejudice and discrimination.
   – Explain the effects of the following sources of discriminatory tastes according to Becker:
     a. Customer discrimination
     b. Employee discrimination
     c. Employer discrimination
   – Is it possible for there to be prejudice without it resulting in wage discrimination in each case?

2. Imperfect Information
   a. Statistical discrimination
   – Explain statistical discrimination.
   b. Workplace communication styles
   – Explain two ways in which different workplace communication styles for feeling and thinking people can affect wage rates. Why would perfect information eliminate this problem?

3. Occupational Discrimination and Crowding
   – Show graphically how wages become depressed in crowded jobs as a result of occupational discrimination.

4. Union Discrimination
   – Is union discrimination a plausible explanation for gender wage differentials? Racial wage differentials?

5. Feedback Effects
   – Describe how discrimination in the labor market can reinforce traditional family roles and how family roles can affect labor market outcomes.

V. Empirical Evidence Regarding Wage and Occupational Discrimination

   A. Personal Experience and Diary Evidence
   – List and explain 3 reasons why personal experience is unreliable as empirical evidence.

   B. Tabular Statistics
   – Discuss a limitation of tabular evidence.
V.C.  **Econometric Analyses**

– Show a graph of a regression line.
– Explain how economists use regression analysis to estimate the extent of wage discrimination.
– 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?

D. **Audit Studies**

– Explain the audit methodology for detecting discrimination.
– State and interpret the values of \((P_{maj} - P_{min})\) for the Urban Institute hiring study.
– Discuss the advantages and disadvantages of audit studies.

E. **Experimental Evidence**

– State the outcomes of the hiring experiment done in class, the starpower game, and the study on employer-employee pay bargaining by gender.
– Evaluate the validity of experimental evidence.

VI. **Public Policy**

– What are some examples of affirmative action policies?
– Define comparable worth.
– List the arguments supporting and opposing:
  affirmative action programs
  comparable worth policy