

Monop(oly/sony)

Reasons for $E[\text{wage}] \neq \text{MPL}$

- Firm power (market share, collusion)
 - Public sector occupations
 - Adobe-Apple-Google-Intel vs 64kSteve Jobs to Google co-founder Brin: "If you hire a single one of these people, that means war."
- Union power (legal, market share/collusion, extralegal)
- Labor unions: firm-specific to national
- Major institutional differences between countries
 - US unionization rate about 10% (down from 20% in 30 yrs)
 - Finland about 70% (same as 30 years ago)

Match-specific rents

- Frictions and match-specific rents
 - Rents and quasi-rents → bargaining or commitment
 - Nash/Rubinstein vs Myerson-Satterthwaite
- Hiring costs / firing costs
- Search costs / job loss costs
 - LT job loss costs from 0 to 30% young/old
 - The pre-emptive quitting critique
- Match-specific investment
- Match-specific information

Monopsony

Perfect competition model recap

- Basic monopsony model
 - Impact of wage regulation
 - Impact of staff size regulation
- Matsudaira (REStat 2014), Staiger et al (JoLE 2010) report tiny supply elasticities
- Monopsony + hiring costs
- Monopsony + heterogeneous worker productivity

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- Employer-size wage effect, elasticity ≈ 0.03 (0.3 for CEOs)
 - Brown and Medoff (JPE 1989), Kostiuik (JHR 1990)
 - market power or complementarities + hidden type?
- The steady state flows view (Card & Krueger 1995) $\varepsilon = \varepsilon_{RW} - \varepsilon_{SW}$

Union wage setting models

- Basic bargaining “model” equation
 - What determines the bargaining weights?
- Wage posting
- Union wage bargaining
- Union wage setting

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- US Firm unionization literature. Di Nardo and Lee (2004):
tiny wage LATE with voting RD, compared with earlier lit 10-40%
- Estimated Nash rent-sharing parameter for L usually very small
- How would you study this with national collective bargaining?

Union models

What determines union policy?

- Benchmark: maximize total surplus of workers
 - compare with PE models
- Median voter theorem
- Insider-Outsider theory (Lindbeck & Snower 1988)
 - Hiring/firing costs, real or legally induced
 - Median union employee vs median potential worker
 - Seniority rules
 - Europe vs US, hysteresis
- Centralized vs decentralized unions
- Dual labor markets

Aside on research plans

How to write a paper that ends up a row in an HB chapter table?

- Me too paper with another data
- Better data paper
- Better data + show how it would work with “worsened” data.
e.g. LaLonde AER 1986.