III. Human Capital

1. Definition
   a. The Stock of marketable skills embodied in a worker that can be rented on the labor market
   b. Human vs Physical Capital
   c. Forms of Human Capital Investment
      General Training: Education, Work Experience
      Firm-Specific Training: on-the-job training, job tenure

2. Patterns of schooling
   a. Men and Women
      Historical patterns: finishing high school and finishing college
      Recent history: advantage for women
      Explanations for the past gaps between men and women
      Explanations for the recent gains for women
   b. Blacks and Hispanics
      Historical patterns: finishing high school and finishing college
      Recent history: role of GED
      Explanations for the past gaps
   c. Age-earnings profiles by schooling level
      Men and Women
      Patterns:
      Concave in age
      Flatter for less educated
      Flatter for women
      Level rises with education

3. The Human Capital Investment Model
   b. Explaining Age-Earnings profiles using the human capital investment model
   c. Job rationing due to the business cycle.
   d. The college-wage premium over time
   e. Present and Future Value Review
   f. Returns to schooling

4. The rise of women’s college and professional status
   a. The 1970s: the start of the rapid rise
   b. Human Capital explanations: the role of permanent labor market status
      Cost of time out of the labor market
      Lost earnings
      Human capital depreciation
      Obsolescence
      The role of expected labor market status
   c. The case of science careers
      Anne Preston: Leaving Science
   d. Elite pools and elite positions
      Human capital and access to elite positions
      The Glass Ceiling: cracking or staying put?
   e. Other reasons why women are gaining relative to men
High school performance
  Investments in science and math classes
  Class rank
  Test scores

5. Two period model
   a. Earnings and job tenure
   b. Differences between men and women
      Tenure
      Training
   c. Application: H1B visas as a constraint on second period mobility
   d. Sorting and returns to training: GREs and graduate entry

6. Do career starting conditions really matter for success?
   Application: Academic market
      Women in academia
      Minorities in academia

**IV. Human Capital and Poverty**
1. Physical capital and the rising returns to college
   a. Capital-Skill complementarity
   b. Falling cost of capital

2. Why aren’t all groups taking advantage of the rising returns?
   a. Underinvestment by minorities
      Poverty in Central Cities
      Neighborhood effects: Mixed evidence
      Gautreaux
      Moving to Opportunity
      Single parents vs two parents
      Matters but not large effects
      Incarceration
      Low income
   b. Heckman’s approach: noncognitive skills
      GEDs as disguised dropouts
      College entry and
      Household income
      Individual ability (AFQT)
      Controlling for maternal education, marital status and skill
      Importance of cognitive and noncognitive skills
      Years of Schooling completed
      Incarceration
      Transfer of human capital across generations: the role of maternal skills

3. Solutions
   Human Capital: Early interventions are best
   Evidence
      Pre school: Perry Preschool and Head Start
      In school: Quantum
      After School: Job training
V. Earnings and Earnings Functions

1. Relative pay
   a. Men and Women
   b. Minorities vs Whites
   c. Patterns in Europe

2. Mincerian Earnings Functions
   a. Derivations and interpretations
      log wages
      linear schooling and the rate of return to an additional year of schooling
      linear and quadratic experience
   b. Earnings decompositions
      Marginal revenue product
      Observed wage differences
      Explained differences
      Unexplained differences
   c. Measuring wage discrimination
      Method 1: use of dummy variables
      Method 2: Oaxacca decomposition
      Examples of results
      Male Female
      Black White
      Hispanic White
      Key explanatory factors for each group
   d. Caveats
      Measurement Error
      Missing Variables
      Including variables that are themselves subject to discrimination

3. Extension 1: Showing the role of rising earnings inequality on pay gaps
   a. Residual inequality
   b. Standardized residuals and the male residual distribution
   c. Swimming upstream: rising inequality and wages for those in the lower tail
   d. Role of selection into and out of the labor market on observed average wages
   e. Applications
      Blau and Kahn on Men and Women
      Couch and Daly on Blacks and Whites

4. Extension 2: Black-White wage differences since 1940
   a. cohort effects versus cross-cohort effects
   b. Role of years of schooling
   c. Role of returns to schooling
   d. Role of migration
   e. role of labor market drop out
   f. role of anti discrimination legislation, especially in the South
5. Premarket factors: Discriminatory and nondiscriminatory
   a. School quality
   b. Years of Schooling
   c. Mueller and Plug: role of personality
   d. Niederle and Vesterlund; Price: role of taste for competition
   e. Persico: role of height
   f. Hamermesh and Biddle: role of beauty

VI. The laws allowing or regulating discrimination

1. Plessy vs Ferguson

2. Brown vs Topeka Board of Education

3. Voting rights: The 19th amendment and the Voting Rights Act

4. Protective Legislation: History and resolution
   a. New York vs Lochner
   b. Muller vs Oregon
   c. Frontiero vs Richardson

5. Marriage Bar: causes and elimination

   a. Differences in Pay across the sexes
   b. Schultz vs Wheaton Glass
   c. Wirtz vs Midwest Manufacturing
   d. Ledbetter vs Goodyear

7. Title VII of the Civil Rights Act (1964)
   a. Coverage
   b. Griggs vs Duke Power
   c. Disparate impact vs disparate treatment: intent not required
   d. Bona fide exceptions and burden of proof
      Proving business necessity
      Use of statistics to show disproportionate representation
      US vs Ironworkers Local 86
   e. EEOC enforcement
      4/5ths rule
      conciliations and court cases
   f. EEOC Court Cases: attacking discrimination in internal labor markets
      Dias vs Pan Am: Customer preferences
      UAW vs Johnson Controls: Fertility
      G.E. vs Gilbert: Pregnancy
      Franks vs Bowman Transportation; Teamsters vs U.S.: retroactive seniority
      Dothard vs Rawlinson: Stature
      Firefighters vs Stotts: layoffs
      City of Los Angeles vs Manhart; Arizona Governing Committee vs Norris: Pensions
      Meritor Savings Bank vs Vincent; Harris vs Forklift Systems; Burlington Industries vs
      Ellerth: Sexual Harassment
   Other
Title VII as a personnel practices manual
   a. Coverage
   b. Goals versus quotas
   c. OFCCP
   d. Court Cases
      Bakke vs University of California at Davis: College Admissions
      Steelworkers vs Weber: training programs
      Johnson vs Santa Clara County Transportation Agency:
         Voluntary preference in promotion
      Hopwood vs Texas: Temporary move away from Bakke
      Grutter vs Bolliger; Gratz vs Bollinger: Back to Bakke

9. EEOC Enforcement record
   a. Class action vs individual harmed
   b. Case resolutions
   c. Rapid Charge processing
   d. Mediation
   e. Chronic staffing and budget problems
   f. Neumark and Stock: Impact of State Pay Discrimination Laws

10. Affirmative Action Impacts
    a. Employment
    b. Sorting across federal contractors and noncontractors
    c. Qualifications

11. Comparable Worth: Equal Pay for Equal Worth
    a. Coverage
    b. Job Evaluation
    c. Point Systems
    d. Comparable worth pay adjustment process
    e. Criticisms
       Fair or arbitrary?
       Internal vs external equity
       Measurement error and factor selection
       Implementation process
       Invitation to litigation?
    f. Market Model