Monop(oly/sony)

Reasons for E[wage] ≠ MPL

- Firm power (market share, collusion)
  - Public sector occupations
  - Adobe-Apple-Google-Intel vs 64k
  Steve 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 \(\rightarrow\) 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
Monopsony

Perfect competition model recap

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- Employer-size wage effect, elasticity $\approx 0.03$ ($0.3$ for CEOs)
  - Brown and Medoff (JPE 1989), Kostiuk (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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  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.