



Course information 2018–19

EC3015 Economics of labour

This course is about the economic analysis of how workers, firms and the government interact in shaping the outcomes in the labour market, primarily employment and earnings.

Prerequisite

If taken as part of a BSc degree, courses which must be passed before this course may be attempted:

*MN2028 Managerial economics or
EC2066 Microeconomics.*

Aims and objectives

The objective of this course is to introduce students to the economic analysis of the labour market. This involves understanding what are the determinants of the observed structure of wages and employment. A suitable framework to organise what students should learn in this paper is that of supply and demand.

Essential reading

For full details please refer to the reading list

Borjas, G.J. *Labor Economics*. (London: Irwin/McGraw-Hill)
Ehrenberg, R.G. and R.S. Smith *Modern Labor Economics: Theory and Public Policy*. (Reading, Mass.: Addison-Wesley)

Assessment

This course is assessed by a three-hour unseen written examination.

Learning outcomes

At the end of this course and having completed the essential reading and activities students should be able to:

Explain, on the supply side, the factors that affect the decision of an individual:

- to work
- to choose a particular job or a career path
- to acquire education and on-the-job training to provide effort in a particular job.

Explain also how governments' policies could affect the decisions of the individual.

Explain, on the demand side, the factors that affect the decision of a firm:

- to hire and fire workers
- to offer jobs with different characteristics (amenities and training for example)
- to discriminate among different workers
- to choose particular compensation policies and to offer different career paths.

Explain also how government policies and institutions (such as the unions) can affect the decisions of the firm.

Students should consult the appropriate *EMFSS Programme Regulations*, which are reviewed on an annual basis. The *Regulations* provide information on the availability of a course, where it can be placed on your programme's structure, and details of co-requisites and prerequisites.

Syllabus

This is a description of the material to be examined. On registration, students will receive a detailed subject guide which provides a framework for covering the topics in the syllabus and directions to the essential reading

Labour supply: Participation and hours of work, human capital formation, empirical evidence.

Labour demand: Labour demand as derived demand for goods and services, determinants of the sensitivity of the demand for labour with respect to the wage (assuming firms take wages as given), wage structure and its determination – market mechanisms, market clearing and efficiency. Evidence on changes in wage structures over time, skilled versus unskilled, men versus women etc.

Policy issues and labour market dynamic: Why wage differentials exist amongst similar workers; information aspects and labour market frictions; dynamic monopsony, efficiency wages, discrimination, search and matching models, evidence. Institutional aspects of labour markets, trade unions and professional associations, minimum wages, equal pay acts etc. Determinants of unemployment and potential policies: job subsidies/in work benefits, active labour market policies, work sharing.