

## Course information 2020-21

### EC3015 Economics of labour

#### General information

**COURSE LEVEL:** 6

**CREDIT:** 30

**NOTIONAL STUDY TIME:** 300 hours

#### Summary

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.

#### Conditions

**Prerequisite:** If taken as part of a BSc degree, the following course(s) 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 the determinants of the observed structure of wages and employment are. A suitable framework to organise what students should learn in this paper is that of supply and demand.

#### Learning outcomes

At the end of the 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.

Please consult the current EMFSS Programme Regulations for further information on the availability of a course, where it can be placed on your programme's structure, and other important details.

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

## Essential reading

For full details, please refer to the reading list.

Borjas, G.J. *Labor Economics*. (London: Irwin/McGraw-Hill 2009) fifth edition [ISBN 9780070172708].

Ehrenberg, R.G. and R.S. Smith *Modern Labor Economics: Theory and Public Policy*. (Reading, Mass.: Addison-Wesley, 2014) twelfth edition [ISBN 9780133462784].

## Assessment

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

## Syllabus

**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.

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