

**THE UNIVERSITY OF THE WEST INDIES
ST. AUGUSTINE CAMPUS
DEPARTMENT OF ECONOMICS**

COURSE DESCRIPTION

Course Title:	Labour Economics
Course Code:	ECON 3029
Level:	III
Semester:	Semester II, 2012/2013
Credits:	3
Prerequisites:	ECON 2000, ECON 2001, ECON 2003, ECON 2002, ECON 3049
Department:	Economics
Overview:	<p>This course will present theoretical frameworks in Labour Economics and their use in analyzing features of the labour market. Particular emphasis will be placed on features of Caribbean economies. The material covered will be broken up into two parts. The first will focus on building fundamental aspects of the labour market – the supply and demand of labour – from microeconomic principles. Much of this analysis will assume a single labour market. The second part of the course will relax this assumption, making it possible to study observed wage distributions. Topics covered will include compensating wage differentials, human capital theory, discrimination, remuneration schemes, and unions.</p> <p>Throughout the course, the presentation of theoretical material will be supplemented with discussions on the corresponding empirical literature. The main focus will be on the application of econometric techniques to overcome common problems associated with using survey data to study labour market issues.</p>

PURPOSE OF THE COURSE

The labour market is an important component of all economies. One obvious reason for this is that labour market income (wages) accounts for the majority of overall income for most households. In light of this, this course purports to provide students with an in-depth understanding of the way labour markets function and to introduce students to many of the econometric strategies used by labour economists in analyzing labour market issues. It is meant to be an introductory course in labour economics for students with a firm grasp of intermediate micro- and macroeconomic theory and introductory econometrics. This course can be considered the quintessential “applied economics” course; from both a theoretical and empirical perspective.

INSTRUCTOR INFORMATION

Lecturer: Dr. Bok Hoong Young Hoon
Email Address: bok.youngphoon@mail.mcgill.ca
Room Number: to be advised
Office Telephone: 1-868-662-2002 Ext. 82018
Office Hours: To be announced

LETTER TO THE STUDENT

Welcome to ECON 3029: Labour Economics! In this course you will be provided with a firm understanding of the role that scarcity (Economics is commonly described as the study of scarcity) plays in the labour market. All material in this course will be presented during weekly in-class lectures. You are expected to attend all lectures. This is an upper-year, undergraduate course; as such, although the lecture content will be guided primarily by the course outline, lectures may also be shaped by the nature of class discussions. Lecture notes will not be available online.

COURSE GOALS/AIMS

This course aims to develop students so that they are able to apply economic principles to address issues/questions related to the labour market. These include:

- How do people decide the number of hours to work?
- Under what conditions might an increase in minimum wage lead to increased employment?
- As a means of providing employment, are government work programs first-best?
- Why might it be rational for a firm to retain a worker whose production falls below his/her wage?
- What effect would an increase in the rate of overtime pay have on income inequality?
- What is the effect of crime on an economy's overall level of human capital?

Where appropriate data is available, students should be able to perform empirical analysis of the labour market. Where data is lacking, students should be able to identify the information necessary to undertake a proper empirical analysis.

GENERAL LEARNING OUTCOMES

Upon conclusion of the course students should have a firm understanding of the way that workers, firms, the government, and trade unions interact to produce the observed labour market. Students should also be familiar with the components of an academic research paper and the steps involved in writing one.

COURSE ASSIGNMENT/ASSESSMENT

Students will be assessed as part of the continuous evaluation of student performance. Assessment methods will be as follows:

Midterm Examination:	20%
Mini Research Paper (if enrolment > 20, this will be substituted by paper summaries):	20%
Final Examination:	60%

Midterm Examination – This will be a one-hour exam to be held during the first half of class in week 7. It will cover material up to (and including) material presented in week 6.

The **Mini Research Paper** is meant to give students an opportunity to carry out the steps involved in an empirical research project. Papers should be 10 pages (12pt-font, double-spaced, standard margins) and include a clear indication of the research question and its relevance, a review of related literature, identification of suitable data, and an indication of the econometric strategy involved. Students will not be required to perform the complete analysis.

Paper Summaries – Students will be required to summarize a journal article (assigned by the lecturer) every two weeks. Summaries should be 1-2 pages (12 pt-font, double spaced, standard margins).

Final Examination – This examination will be written at the end of the semester. It will be of two-hour duration. Examination schedules will be available for viewing approximately one month before the scheduled date of each examination session. Access examination schedules by logging on to <http://mysta.uwi.edu/>.

COURSE EVALUATION

At the end of the course, the Institutional Development Unit (IDU) will evaluate the course via the SECL programme, so it is important that you are in attendance during that time.

TEACHING STRATEGIES

The course will follow a “theory-evidence” structure. More specifically, the lecturer will first present, for each topic, the “textbook” theory, and any additional theories that may deviate from the “norm”. This will be followed by a discussion of the existing academic research and, in particular, on empirical evidence on the topic at hand.

Students should expect to receive a portion of their training through conventional classroom teaching but much emphasis is placed on active student participation in the learning process. Lectures, reading assignments and discussions form the main teaching strategies.

RESOURCES

Required Texts:

Labour Economics by George Borjas, 6th edition

Modern Labour Economics: Theory and Public Policy (11th Edition) by Ronald G. Ehrenberg and Robert Smith (E&S in Syllabus outline)

Economic Reforms, Growth and Employment: Labour Markets in Latin America and the Caribbean by Jurgen Weller. <http://www.eclac.org/publicaciones/xml/9/7219/LCG21211.pdf>

Supplementary Texts:

Econometric Methods for Labour Economics by Stephen Bazen

Mostly Harmless Econometrics: An Empiricist's Companion by Joshua D. Angrist and Jorn-Steffen Pischke

COURSE CALENDAR

<p>Week 1</p>	<p>Welcome and Orientation Applied Econometrics Review OLS; OVB; Endogeneity; IV; FE; Differences-in-Differences</p> <p>Introduction to Labour Economics Borjas Ch 1; E&S Ch 1 & 2 Andrew S. Downes (2006) "Caribbean labour market challenges and policies." CEPAL – SERIE Macroeconomia del desarrollo. http://www.eclac.org/publicaciones/xml/1/25721/LCL.2509_P.pdf "Statistical Report on the Working Poor in the Caribbean" by the Labour Market and Poverty Studies Unit at the Department of Economics, The University of the West Indies, St. Augustine, Trinidad and Tobago. http://www.ilocarib.org.tt/cef/background%20papers/Working%20Poor.pdf</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Distinguish between single and dual labour markets • Identify labour market challenges and policies in Caribbean economies
<p>Week 2 & 3</p>	<p>Labour Supply Borjas Ch 2; E&S Ch 6 & 7; Weller Ch 1-3 G. Imbens, D. Rubin, and B. Sacerdote (2001) "Estimating the Effect of Unearned Income on Labor Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players." <i>American Economic Review</i>, pp. 778-794.</p>

	<p>K. Namsuk (2007) “The Impact of Remittances on Labor Supply: The Case of Jamaica.” The World Bank WPS4120.</p> <p>D. Neumark and W. Wascher (2004) “Minimum Wages, Labor Market Institutions, and Youth Employment: A Cross-National Analysis.” <i>Industrial and Labor Relations Review</i>, pp. 223-248.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Identify issues related to labour supply • Explain the effect of Remittances, Unearned Income, Minimum Wages, Youth Employment and Labour Market Institutions on labour supply • Explain the impact of taxation on labour supply
Week 4 & 5	<p>Labour Demand</p> <p>Borjas Ch 3; E&S Ch 3, 4 & 5</p> <p>David Card (1992) “Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage.” <i>Industrial and Labor Relations Review</i>, pp. 22-37.</p> <p>A. Downes and N. Mamingi (1997) “Dynamic Labour Demand Functions with Non-Wage Labour Costs: Theory and Estimation Techniques.” presented at the 24th Annual Monetary Studies Conference in Barbados.</p> <p>A. Downes, N. Mamingi and R.B. Antoine (2004) “Labour Market Regulation and Employment in the Caribbean.” In <i>Law and Employment: Lessons from Latin America and the Caribbean</i>.</p> <p>http://www.nber.org/chapters/c10077.pdf</p> <p>E. Strobl and F. Walsh (2003) “Minimum Wages and Compliance: The Case of Trinidad and Tobago.” <i>Economic Development and Cultural Change</i> 51(2), pp. 427-450.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Complete an inventory of labour demand functions • Explain the effect that Minimum Wages and Labour Market Regulation has on labour demand <p>*Friday of week 5 is the last day to have a research question approved for the Mini Research Paper*</p>
Week 6	<p>Equilibrium</p> <p>Borjas Ch 4; Weller Ch 4 & 5</p> <p>C. Bourne (1970) “Wage Determination in the Caribbean Countries: Trends and Issues in Wage Determination in English-speaking Caribbean Countries”, pp. 34-50. International Labour Office, Labour Management Series, No. 57, 1970.</p> <p>H. Brewster (1972) “The Growth of Employment under Export-Biased Underdevelopment: Trinidad.” <i>Social and Economic Studies</i> 21(2), pp. 153-170.</p>

	<p>Winston Dookeran (1981) “The Distribution of Income in Trinidad and Tobago, 1957-1976.” <i>Review of Income and Wealth</i> 27, pp. 195-206.</p> <p>Trevor Farrell (1980) “The Measurement of Unemployment and the Labour Force in Trinidad and Tobago: Are the Official Figures Wrong?” <i>Social and Economic Studies</i> 29, pp. 35-51.</p> <p>Rosalea Hamilton (1994) “Analyzing Real Wages, Prices and Productivity & the Effects of State Intervention in Caribbean-Type Economies.” <i>Social and Economic Studies</i> 43(1), pp. 1-42.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Identify approaches to Wage Determination • Describe the measurement method(s) for Unemployment and The Size of the Labour Force in Trinidad and Tobago and some other Caribbean countries
Week 7	<p>Compensating Wage Differentials Borjas Ch 5; E&S Ch 8 R. Smith (1979) “Compensating wage differentials and public policy: a review.” <i>Industrial and Labor Relations Review</i> 32, pp. 339-352.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Identify and critique public policy for compensating wage differential • Discuss the effects of increases in rates of overtime pay and income inequity <p>Midterm Examination (covers weeks 1 – 6)</p>
Week 8 & 9	<p>Human Capital Theory Borjas Ch 6; E&S Ch 9; Weller Ch 6 Andrew S. Downes (2001) “Education, Productivity and the Economic Development of Barbados.” <i>Caribbean Quarterly</i> 47(2/3), pp. 1-19. Sudhanshu Handa and Benjamin Davis (2006) “The Experience of Conditional Cash Transfers in Latin America and the Caribbean.” <i>Development Policy Review</i> 24(5), pp. 513-536. P. Oreopoulos (2006) “Estimated average and local average treatment effects of education when compulsory schooling laws really matter.” <i>American Economic Review</i>, pp. 152-175.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Apply economic principles to address issues/questions related to productivity • Cite and discuss the theory linking education to productivity

	<p>*Friday of week 8 is the deadline for submission of literature reviews for the Mini Research Paper*</p>
Week 10	<p>Discrimination and Earnings Differentials Borjas Ch 9; E&S Ch 12 A. Coppin and R.N. Olsen (1998) "Earnings and Ethnicity in Trinidad and Tobago." <i>Journal of Development Studies</i> 34(3), pp. 116-134. A. Coppin and R.N. Olsen (2007) "Public vs. Private Sector Earnings Differentials in the Caribbean Region: Evidence from the economy of Trinidad and Tobago." <i>The Journal of Developing Areas</i> 40(2), pp. 51-74. D. Hamermesh and J. Biddle (1994) "Beauty and the labor market." <i>American Economic Review</i> 84, pp. 1174-1194. J. Pinkston (2003) "Screaming Discrimination and the Determinants of Wages." <i>Labour Economics</i> 10(6), pp. 543-658.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Describe and quantify the impact that factors such as Ethnicity, Public vs Private Sector, and Crime has on Wages
Week 11	<p>Optimal Compensation Structure/Pay for Performance Borjas Ch 11; E&S Ch 11 Andrew S. Downes and Hyginus L. Leon (1994) "The Wage-Productivity Hypothesis in a Small Developing Country: The Case of Barbados." <i>Social and Economic Studies</i> 43(4), pp. 115-141. E. Lazear (2000) "Performance pay and productivity." <i>American Economic Review</i> 90, pp. 1346-1361. Bruce Shearer (2004) "Piece rates, fixed wages and incentives: Evidence from a field experiment." <i>The Review of Economic Studies</i> 71(2), pp. 513-534.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Explain the Wage (inclusive of Piece Rates and Fixed Wages)/Productivity Nexus as well as the link between Pay for Performance and Other Incentives with Productivity
Week 12	<p>Wage Determination and Trade Unions Borjas Ch 10; E&S Ch 13; Weller Ch 7 & 8 D. Blanchflower (2007) "International patterns of union membership." <i>British Journal of Industrial Relations</i> 45, pp. 1-28.</p> <p>At the end of this topic the student will be able to</p> <ul style="list-style-type: none"> • Explain the role that trade unions play in the labour market and, in particular, in wage determination

Week 13	Review
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ADDITIONAL INFORMATION

Please note that the Department of Economics//Faculty of Social Sciences **requires students to attend and participate in at least 75% of tutorials for a course to avoid being debarred from taking the final exam.**

Please note the following University regulation on plagiarism:

- “97. (i) *Cheating shall constitute a major offence under these regulations.*
(ii) *Cheating is any attempt to benefit one’s self or another by deceit or fraud.*
(iii) *Plagiarism is a form of cheating.*
(iv) *Plagiarism is the unauthorized and/ or unacknowledged use of another person’s intellectual effort and creations howsoever recorded, including whether formally published or in manuscript or in typescript or other printed or electronically presented form and includes taking passages, ideas or structures from another work or author without proper and unequivocal attribution of such source(s), using the conventions for attributions or citing used in this University.*
103. (i) *If any candidate is suspected of cheating, or attempting to cheat, the circumstances shall be reported in writing to the Campus Registrar. The Campus Registrar shall refer the matter to the Chairman of the Campus Committee on Examinations. If the Chairman so decides, the Committee shall invite the candidate for an interview and shall conduct an investigation. If the candidate is found guilty of cheating or attempting to cheat, the Committee shall disqualify the candidate from the examination in the course concerned, and may also disqualify him/her from all examinations taken in that examination session; and may also disqualify him/her from all further examinations of the University.....”*

HOW TO STUDY FOR THIS COURSE

As a student enrolled in ECON3029, you are expected to attend all lectures and keep abreast with all assigned readings. Research has shown that students learn best through collaboration and interaction, so I encourage you to actively participate in all classroom discussions.

Seize every opportunity to get involved in meaningful cooperative learning.

GRADING SYSTEM

Final grades will be awarded as follows:

Final Grade	Points
A+	86-100
A	70-85
A-	67-69
B+	63-66
B	60-62
B-	57-59
C+	53-56
C	50-52
C-	47-49
D+	43-46
D	40-42
F	00-39