



23021 Labour Economics

Session 2 & 3 - 29 October 2020



Agenda

1. Exam
2. Lecture 12
3. Exam Topics
 - Lecture slide, problem application
4. Unemployment (Lecture 11)
5. Monopsony
6. Labour Market Equilibrium (Lecture 5) - Policy applications
7. Human Capital
8. Pay and Productivity
9. Advanced Equations (from lectures)



Exam - 50%

- 2 hr exam + 10 minute reading time
- 10 Multiple Choice questions - 30%
- 7 short answer questions (3-4 sub questions) - 70%
- Some questions are essay style
- Bring:
- Scientific Calculator, multiple sheets of paper, pen, pencil, sharpener
- Hint: Short Answer questions are similar weekly problem sets
- Sample online test (UTS Online) - did you attempt it



Lecture 12 - Exam Prep

- Tutorials
- Lecture slides
- Problem sets and solutions
- Textbook
- Questions at the end of chapters in the textbook



Topics - Exam Prep

1. The Supply of Labour
2. The Demand for Labour
3. Labour market equilibrium: policy applications (minimum wage, employment subsidies/payroll taxes)
4. Human Capital
5. Labour Market Discrimination
6. Pay and Productivity
7. Immigration
8. Unemployment
9. Practice Exam paper



Labour Market Equilibrium - Policy App(lecture 5)

Labour Demand -Policy Applications:

1. Payroll tax in perfectly competitive market (Ch3)
2. Employer payroll taxes and subsidies (Ch3)
3. Minimum wage in competitive labour markets with universal and non-universal coverage in monopsony (Ch5)
4. Employment Protection (Ch5)
5. Overtime Pay Premium (Ch5)

Monopsony p. 154

Monopsonistic Labor Markets: A Definition

Economists describe the presence of upward-sloping labor supply curves to *individual employers* as creating *monopsonistic* conditions in the labor market. Explaining why we use this terminology takes us back to chapter 2 and the distinction between supply of labor curves to a *market* as opposed to individual firms in the market.

A labor market monopsonist is, strictly speaking, a firm that is the only buyer of labor in its labor market: a coal mine in an isolated small town in West Virginia, for example, or a pineapple plantation on a tiny Hawaiian island. In both these cases, the employer faces (as the only employer in the market) the *market* supply of labor curve, which we noted in chapter 2 is upward-sloping. For example, if a coal mine operator in an isolated town wants to expand its labor supply, it cannot simply get workers at the going wage from competing mines in the local

ECONOMY > GOVERNMENT & POLICY

Tech

+ MONOPOLY

- MONOPSONY

+ FORCED TECHNOLOGY
TRANSFER

+ WHAT TO KNOW ABOUT 5G

+ NET NEUTRALITY

Monopsony

By [JULIE YOUNG](#) | Updated Feb 3, 2020

What Is a Monopsony?

A monopsony is a market condition in which there is only one buyer, the monopsonist. Like a [monopoly](#), a monopsony also has imperfect market conditions. [The difference between a monopoly and monopsony](#) is primarily in the difference between the controlling entities. A single buyer dominates a monopsonized market while an individual seller controls a monopolized market. Monopsonists are common to areas where they supply most or all of the region's jobs.

<https://www.investopedia.com/terms/m/monopsony.asp#:~:text=A%20monopsony%20is%20a%20market,difference%20between%20the%20controlling%20entities.>

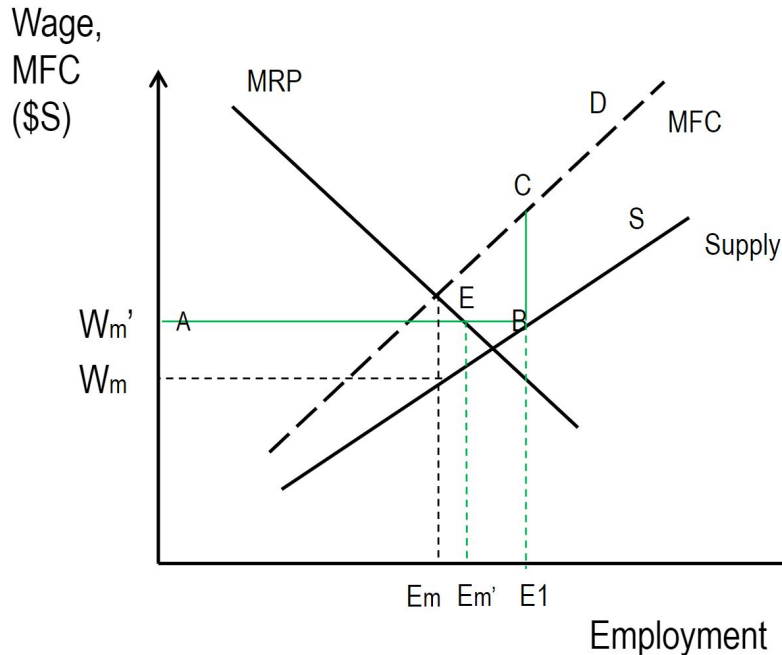


Monopsonistic labour markets p.155

- Assumption: labour supply curves facing employer slope upwards
- Slope upwards because:
 - Employees find it costly to change jobs even though there are several employers
 - Single employers in isolated places e.g. BHP Mining

Policy application (3):

Minimum wages in monopsony



Interesting result: the introduction of a minimum wage in a monopsonistic market may result in increased wages and increased employment!

Minimum wage is set at W_m'

With minimum wage the new labour supply curve is given by ABS

The new supply curve is given by ABS

The new MFC curve is given by ABCD

The new equilibrium occurs at the intersection of the MRP and MFC curves (E).

In the new equilibrium employment increases from E_m to E_m' and wages increase from W_m to W_m'



Unemployment

$UR = U/E + U = \text{no. of unemployed/no. In labour force}$

What's the current UR?

Hours worked

Participation rate

Exam questions A6-A10

Tutorials

Key statistics

Seasonally adjusted estimates for September 2020:

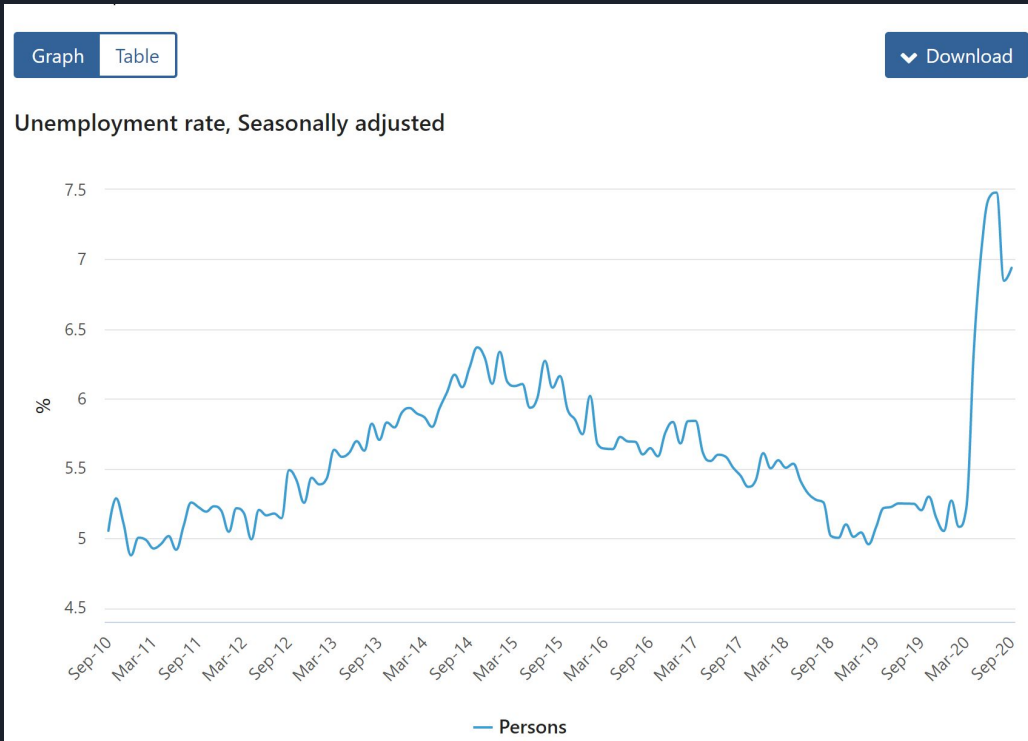
- Unemployment rate increased to 6.9%.
- Participation rate decreased to 64.8%.
- Employment decreased to 12,571,900.
- Employment to population ratio decreased to 60.3%.
- Underemployment rate increased to 11.4%.
- Monthly hours worked increased by 9 million hours.

	Aug-20	Sep-20	Monthly change	Monthly change (%)	Yearly change	Yearly change (%)
Seasonally adjusted						
Employed people	12,601,500	12,571,900	-29,500	-0.2%	-358,400	-2.8%
Unemployed people	926,200	937,400	11,300	1.2%	228,100	32.2%
Unemployment rate	6.8%	6.9%	0.1 pts	na	1.7 pts	na
Underemployment rate	11.3%	11.4%	0.1 pts	na	3.0 pts	na
Participation rate	64.9%	64.8%	-0.1 pts	na	-1.3 pts	na
Monthly hours worked in all jobs	1,680 million	1,688 million	9 million	0.5%	-89 million	-5.0%

Estimates of changes throughout this release are calculated using un-rounded level estimates and may be different from, but are more accurate than, movements obtained from the rounded level estimates.

<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

Unemployment



<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

Participation

In seasonally adjusted terms, in September 2020, the participation rate:

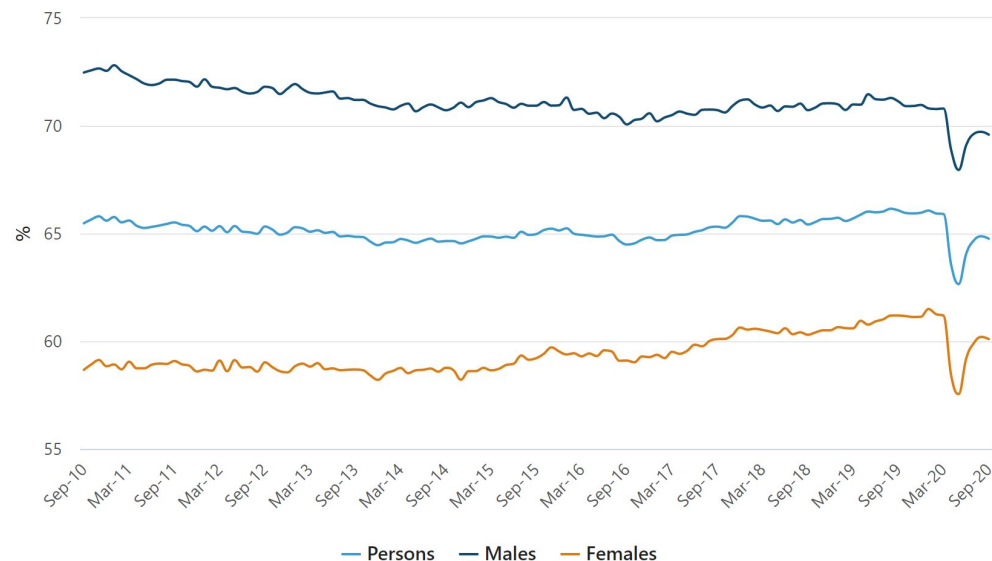
- decreased by 0.1 pts to 64.8%, and decreased 1.3 pts over the year to September 2020
- decreased by 0.1 pts for men (to 69.6%) and decreased by 0.1 pts for women (to 60.1%)

Graph

Table

Download

Participation rate, Seasonally adjusted



<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

Graph

Table

Download

Chart 2: Monthly change in employment and hours worked, Males, Seasonally adjusted



<https://www.abs.gov.au/articles/insights-hours-worked-september-2020>

Underemployment

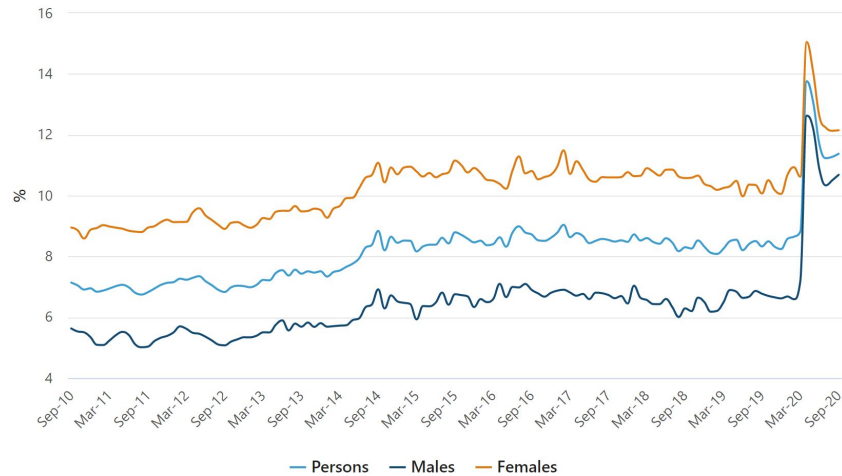
In seasonally adjusted terms, in September 2020:

- the underemployment rate increased by 0.1 pts to 11.4% (3.0 pts higher than a year ago)
- the underutilisation rate increased by 0.2 pts to 18.3%

Graph Table

Download

Underemployment rate, Seasonally adjusted



<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>



BREAK FOR LUNCH 1pm



Academic Writing

1. UOW Academic Writing: <https://unilearning.uow.edu.au/academic/1a.html>
2. Formal Writing:
<https://documents.uow.edu.au/content/groups/public/@web/@stsv/@ld/documents/doc/uow195602.pdf>
3. UNSW: <https://student.unsw.edu.au/other-academic-writing-resources-and-links>
4. UTS HELPS:
<https://www.uts.edu.au/current-students/support/helps/self-help-resources/academic-writing/easy-steps-writing-essay>