

ECON2009/2059/8041

LABOUR ECONOMICS & INDUSTRIAL RELATIONS

First Semester – 2009

This course provides a theoretical and empirical discussion of labour markets. Topics considered include: labour supply and the determinants of hours of work, migration, investments in human capital, labour demand, wage determination, discrimination, internal labour markets, trade unions, earnings inequality, and unemployment. The course handouts, tutorial assignments, and a past year's exam can be found on the web at: <http://teaching.fec.anu.edu.au/econ2009/>.

Prerequisite: Microeconomics 2 must be passed before taking or must be taken concurrently with this semester unit. In special cases, exemption may be given.

Lecturer: Paul Chen
Arndt Building 1020
Phone: 6125 4937
Consultation Times: Mon 1.30-3.30pm or by appointment.

Lecture and Tutorial Classes: All classes will be held in Arndt LT1 with lectures given on Tues 1-2pm and Wed 4-5pm and tutorial questions discussed on Thur 11-12noon. Tutorials will begin in the third week of the semester on March 12th.

Proposed Assessment: A mandatory but redemptive mid-semester exam (34%) and a two hour final exam (66%) will be scheduled. An optional redemptive essay (2000 words) can be arranged for students who are interested in which case assessment will be based on the following: essay 20%, mid-semester exam 20%, and the final exam 60%. Details on the essay assignment are provided on the "Essay Assignment" document posted on the course webpage.

Honours Component: Assuming sufficient enrollment, an additional lecture per week will be given for those wishing to pursue this course at a higher level such as fourth year honours and graduate students. These lectures will be held in Arndt LT1 on Thursdays 12-1/1.15pm beginning on March 12th. They will cover some topics in the pass course at greater depth as well as additional subjects. Assessment will be based on the same arrangements described earlier but will be marked at a higher standard and include different exam questions.

Textbook: Students are advised to purchase Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, 10th ed., Boston: Pearson Education, 2009. Unless otherwise indicated, reading assignments are drawn from this textbook and students are expected to read the chapter appendices. The website for the text is located at: http://wps.aw.com/aw_ehrensmith_mlaborecon_10 and provides a variety of student resource material. Some students may wish to purchase the *Study Guide* for the Ehrenberg and Smith text, which provides an additional source of questions.

A few readings below (see under IV.A, V, VII, and VIII) refer to Keith Norris, et al., *Economics of Australian Labour Markets*, 6th ed., Frenchs Forest, NSW: Pearson Education Australia, 2005 which is on 2 hour reserve at Chifley library.

TENTATIVE COURSE OUTLINE

- I. Introduction (1 Lecture: Feb 24)
Chapters 1 and 2
 - II. Labour Supply (6 Lectures: Feb 25 – March 17)
 - A. In the Short-Run – Chapters 6 and 7 (Feb 25 – March 4)
 - B. Demographic Changes and Migration – Chap. 10[pp. 324-47] (Mar 10)
 - C. Human Capital – Chapter 9 and pp. 152-56 (March 11 – 17)
 - III. Labour Demand (4 Lectures: March 18 – 31)
 - A. In the Short-Run and in the Long-Run – Chap. 3 and 4 (March 18 – 25)
 - B. With Labour Market Frictions – Chapter 5 [pp. 128 – 152] (March 31)

Mid-Semester Examination: April 8
 - IV. Wage Determination (5 Lectures: April 1 – May 5)
 - A. Labour Market Clearing – pp. 35 – 53 and Norris, Sec. 6.2 (April 1)
 - B. Compensating Wage Differentials – Chapter 8 [skip Appendix 8A] (April 7)
 - C. Discrimination in Labour Markets
– Chapter 12 [pp. 395-427 and 429-432, Example 12.4, Empirical Study on pp. 436-437, and App. 12A] (April 28 – May 5)
 - V. Internal Labour Markets (2 Lectures: May 6 – 12)
– Norris, Sec. 5.2 and 8.2; Ehrenberg and Smith, pp. 159-161 and Chapter 11
 - VI. Trade Unions (3 Lectures: May 13 – 20) – Chapter 13 and Norris, Chap. 6
 - A. Union Preferences and Labour Demand
 - B. Wage Setting Under Trade Unions
 - VII. Inequality in Earnings (2 Lectures: May 26 – 27)
– Norris, Section 4.5; Jeff Borland, “Earnings Inequality in Australia: Changes, Causes and Consequences,” Economic Record, 75:229 (June 1999), pp. 177-202; and Ehrenberg and Smith, Chapter 15 [skim].
 - VIII. Unemployment (2 Lectures: June 2 – 3)
– Chapter 14 and Norris, Chapter 9 and Sections 8.4, 8.5, and 10.6
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