

## **ECONOMICS 3D03 Labour Economics**

Spring, 2006  
Class Time: Monday, Wednesday, 7:00pm to 10:00pm  
Classroom: BSB 120

TU, Jiong  
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### **COURSE OBJECTIVES**

The aim of this course is to introduce students to the economic analysis of the labour market. It will focus primarily on the operation of labour market equilibrium (labour demand and supply), the role of labour market institutions (unions, government), and the patterns of employment and wages resulting from the interaction of these factors in competitive and non-competitive markets. A series of policy applications are considered in the areas of education, discrimination, income support and unemployment among others.

### **EVALUATION**

Your grade will be determined by your performance on two (2) assignments, a midterm examination and a final examination. The final grade for course will be determined using the weights below. Note carefully, however, that some or all of the weight for the homework assignments may be shifted to the tests and/or exam depending on the enrollment in the course and grading resources available.

Two Homework Assignments (15% each)	30%
#1: Due date: Wednesday, May 17, 2006	
#2: Due date: Wednesday, June 7, 2006	
Midterm exam:           Wednesday, May 24, 2006	30%
Final Exam:             Wednesday, June 14, 2006	40%
<i>TOTAL</i>	<i>100%</i>

(The above schedule is tentative and may be modified as the course proceeds.)

### **MISSED EXAM OR ASSIGNMENT DEADLINES**

There will be no makeup for a missed test. Students with a valid and verified excuse (health or family emergency) for a missed midterm exam will have their grade determined using the above weights as a proportion of the total work performed (70%). Students with a valid and verified excuse (health or family emergency) for a missed assignment deadline will have one additional week to hand in the assignment. The penalty for a late assignment will be 2 marks for each business day late where the weekend equals one business day.

### **ACADEMIC DISHONESTY**

Academic dishonesty consists of misrepresentation by deception or by other fraudulent means and can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: "Grade of F assigned for academic dishonesty"), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various kinds of academic dishonesty please refer to the Academic Integrity Policy, specifically Appendix 3, located at [http://www.mcmaster.ca/senate/academic/ac\\_integrity.htm](http://www.mcmaster.ca/senate/academic/ac_integrity.htm). The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one's own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations.

**CALCULATORS:** Only university approved calculators will be permitted in tests and the exam.

**PHOTO ID:** You will be required to show your university photo ID at all tests and the exam.

### **COURSE WEB PAGE**

The web page for this course can be found at <http://webct.mcmaster.ca/>. Information on how to access WebCt is found at [http://www.ltrc.mcmaster.ca/cms/help\\_files/studentguide.pdf](http://www.ltrc.mcmaster.ca/cms/help_files/studentguide.pdf). *Please use my regular e-mail address ([tuj2@mcmaster.ca](mailto:tuj2@mcmaster.ca)) to contact me rather than the webct e-mail.*

## TEXTS:

Benjamin, D., Gunderson, M. and Riddell, W. C. **Labour Market Economics**, Fifth Edition,, McGraw-Hill Ryerson, 2002.

1. Introduction: Benjamin, Gunderson and Riddell, Ch. 1
  - Concerns of Labour Economics: markets, policies and institutions.
  - Basic Concepts and Data Sources
  
2. Measuring and Testing Economic Relationships Benjamin, Gunderson and Riddell, Ch. 1 (Appendix)
  - Overview of regression analysis: interpreting regression output.
  
3. Supply of Labour: Benjamin, Gunderson and Riddell, Ch. 2
  - Basic model: Time allocation
  - The participation decision and hours of work
  - Labour Supply and Policy Implication
  
4. Demand for Labour: : Benjamin, Gunderson and Riddell, Ch. 5, 6, 7
  - Demand for Labour in the Short-run and Long-run
  - Laws of Derived Demand and Labour Demand Elasticity (optional)
  - Effects of minimum wage laws.
  
5. Labour Market equilibrium: Benjamin, Gunderson and Riddell, Ch. 7
  - Monopsony v.s. Competition
  
6. Wage Structure, Compensation and Incentives Benjamin, Gunderson and Riddell, Ch.8, 13
  - The Theory of Compensating Differentials and occupational choice
  - Economics of Compensation and Incentives
  
7. Human Capital : Education and Training Benjamin, Gunderson and Riddell, Ch. 9
  
8. Unions Benjamin, Gunderson and Riddell, Ch. 14, 15, 16
  - Why are some jobs unionized? Explaining the share of jobs unionized.
  - Explaining outcomes in unionized labour markets: modeling approaches.
  - Effects of unions on labour markets.
  
9. Unemployment Benjamin, Gunderson and Riddell, Ch. 17
  - Rigid wages (Efficiency wage, Contract and Insider-Outsider models and survey evidence)
  - Matching and search approaches
  - Policies and controversies: unemployment insurance, flexibility, the Canada-US gap

