ECON40008 / ECON90013
Labour Economics

SUBJECT GUIDE

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Subject Outline

Introduction

Welcome to Labour Economics. Labour Economics is the comprehensive study of labour markets, where buyers of labour services (firms and governments) interact with sellers (individuals). Individual workers provide their time, skills and effort to employers in return for both monetary and non-monetary compensation. In many respects, labour markets behave just like any other market, with supply and demand forces at work. Labour markets, however, have many aspects which set them apart, as the labour resource is inseparable from individuals. Individuals often value many attributes of jobs, not just the current wage. These attributes include job security, promotion opportunities, safety, flexibility, fairness, location, as well as many others. The special aspects of labour markets often lead to intervention by governments in the workings of labour markets. The many changes in industrial relations legislation undertaken by recent Federal Governments are examples of such interventions. As a result, the study of labour markets is quite varied, and labour economics has many interesting and sometimes surprising components.

Subject Aims

The overall aim of this subject is to gain an in depth understanding on how labour markets work. We will be investigating many aspects of labour markets, including: labour supply (labour force participation, hours of work and the effects of public policy), the demand for labour (and the effect of minimum wages on demand), education and training (human capital investments and returns on those investments), wage determination, labour market discrimination, unions and collective bargaining, earnings inequality, and unemployment. If time permits, we will also look at immigration, labour market flows and employment structures within firms.

The analysis of labour markets involves both applied economic theory and empirical analysis. Empirical research of labour market outcomes for the main developed countries and Australia will form a significant component of the subject. Given the special nature of labour markets and the challenges they pose for empirical research, labour economics is at the cutting edge of econometric practice. You will gain an understanding of the particular issues involved in conducting credible empirical research during the semester.

Prescribed References

There is no prescribed textbook for this subject.

I will provide details of specific articles to be read with each topic. The vast majority of these articles are available for download from the internet, with many accessed via the University’s online journal subscriptions. The online journals can be accessed via:

http://app.search.lib.unimelb.edu.au
If students desire a simple review of the topics to be covered, they can refer to a number of Labour Economics textbooks. Some possibilities are listed below.

**Economics of Australian Labour Markets**  
by Keith Norris, Ross Kelly and Margaret Giles, Sixth Edition (2005), Pearson Addison-Wesley.

This text is written specifically for the Australian setting, providing institutional detail and empirical evidence for Australia. It covers most but not all of the topics we will study, and only covers the topics at a quite basic level (2nd or 3rd year undergraduate level). Copies are available at the Giblin Eunson Library. There may be a copy or two for sale at the University Bookstore.

**Modern Labor Economics: Theory and Public Policy**  

This text covers certain topics in Labour Economics in more detail than the above text, but focuses on the US Labour Market. Again, this text is at the 2nd or 3rd year level. Copies are available at the Giblin Eunson Library. There still may be a copy or two for sale at the University Bookstore.

**Labor Economics**  
by Pierre Cahuc and André Zylberberg (2004), The MIT Press.

This text is more at the graduate student level, so is more relevant for this subject. It covers a wide array of material, including all of the topics we will cover plus some. It may be a useful text to have if you are interested in pursuing your studies of Labour Economics. A copy is available at the Giblin Eunson Library for overnight loan. This is a potentially expensive text. Better pricing is available via online booksellers.

**Handbook of Labor Economics, Volumes 1 to 4**  

This is a fantastic resource for Labour Economics, with many chapters covering essentially all aspects of the field. I will refer you to several chapters from the Handbook throughout the semester. At the moment, all chapters from the Handbook can be downloaded from the internet without charge, at the following link:

Learning Outcomes

Subject Objectives

On successful completion of this subject students should be able to:

- Describe the fundamental features of a labour market, its operation, and role in the economy;
- Apply relevant microeconomic and macroeconomic theory to explain the main potential determinants of labour market outcomes;
- Critically evaluate empirical evidence on the operation of labour markets, and on the main determinants of labour market outcomes;
- Formulate simple theoretical models of the operation of the labour market, and design strategies for empirically testing theories.

To view the learning goals, generic skills and graduate attributes for your degree, please locate the University Handbook entry for your degree at:

http://handbook.unimelb.edu.au/

Generic Skills

In this subject students will have the opportunity to develop important generic skills.

High level of development:
application of theory to practice; interpretation and analysis.

Moderate level of development:
oral communication; written communication; problem solving; statistical reasoning; critical thinking; synthesis of data and other information; evaluation of data and other information; use of computer software; accessing data and other information from a range of sources; receptiveness to alternative ideas.

Some level of development:
collaborative learning; team work.

Awareness Issues

At a broader level, studying this subject will increase your awareness of issues such as: inequality in society, the many varied effects that government policies have on individuals, the wide range of statistical information that is publicly available, and the difficulties in interpreting empirical estimates.
Prerequisites

The subject pre-requisites for this subject are as follows:

1. One of the following two subjects:
   ECON40001 Advanced Microeconomics or ECON90002 Microeconomics

   AND

2. One of the following two subjects:
   ECOM40006 Econometric Techniques or ECOM90013 Econometric Techniques.

Microeconomic analysis forms the basis of Labour Economics. As noted above, labour markets have many characteristics that distinguish it from the markets for consumer goods and services. It is the effect of these special characteristics that we will be studying in depth in this subject.

Students should also be familiar with econometric techniques. Empirical evidence and research is a very important component of Labour Economics. Understanding the main issues in conducting careful empirical analysis is one of the key objectives of this subject.

Academic Staff Contact Details

Subject Coordinator Contact Details

Your coordinator for Labour Economics is Dr. Mick Coelli.

Email: mcoelli@unimelb.edu.au
Room: 342, 3rd floor, FBE Building, 111 Barry Street
Phone: (03) 8344 8586
Consultation Hours: 4:00 to 5:00 pm on Thursdays during semester


Email Protocol

Please note that we are only able to respond to student emails coming from a University email address. Please do not use personal email addresses such as Yahoo, Hotmail or even business email addresses. Emails from non-University email addresses may be filtered by the University’s spam filter, which means that we may not receive your email. All correspondence relating to this subject will only be sent to your University email address.
Note that you must first activate your University email address before you can send or receive emails at that address. You can activate your email account at this link:

http://accounts.unimelb.edu.au/

While academic staff endeavor to address queries received via email, it is more appropriate to resolve substantive questions during lectures and during normal consultation hours. With this in mind, students are encouraged to attend all lectures and to familiarise themselves with the consultation hours offered by the lecturer in this subject. If students cannot attend normal consultation hours, they can email the lecturer to organize another time to meet and discuss substantive questions.

Lectures

Lecture Times

There are two 1.5-hour lectures each week, which all students should attend:

- Tuesdays  3:15 - 4:45 pm    Prest Theatrette (115), Arts West Building
- Thursdays 2:15 - 3:45 pm    Chisholm Theatrette (305), Babel Building

Lecture Participation Requirements

Students are expected to attend each lecture and to take notes on the material presented. Lecture notes for each topic (topics are listed below) will be available for download from the LMS prior to that topic being covered in lectures. Students should bring along a copy of these notes to lectures, as they contain detailed information that we will go through during lectures.

It is important for students to attend each lecture and to take notes, as the lectures will not be recorded, and certain details (particularly diagrams) will not be provided in the lecture notes available on the LMS. If a student misses a lecture for a valid reason, it is possible for the student to borrow a hard copy of the missed diagrams from the lecturer for photocopying.

As noted above, empirical research forms a major component of Labour Economics. Students will be asked to read a particular empirical article each week, and we will discuss it at the beginning of the Thursday lecture (weeks 2 to 11 of semester). Students will be advised of the article to be read on the preceding Thursday of each week.

Asking questions during lectures is actively encouraged. A major benefit of a small group size is the ability to interact during lectures. There will also be time for discussion of important issues.
Lecture Schedule

Here is a list of the topics to be covered in turn during the semester.

1. Introduction - to Labour Economics and empirical strategies used in the field
2. Labour Supply - the decision to work, and how many hours
3. The Demand for Labour - firm demand in the short and long run
4. Compensating Wage Differentials
5. Education and Training - investing in human capital
6. Unemployment
7. Earnings Inequality

Lecture Notes

As noted above, lecture notes will be placed on the LMS page for this subject prior to each topic being covered. Students should bring along a copy of these notes to lectures, but may also need to take some notes during lectures.

Assessment

Assessment Overview

Your assessment for this subject comprises the following:

<table>
<thead>
<tr>
<th>Assessment Task</th>
<th>Individual or Group</th>
<th>Due</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem set 1</td>
<td>Group</td>
<td>Thursday 29 August (week 5)</td>
<td>5%</td>
</tr>
<tr>
<td>Problem set 2</td>
<td>Group</td>
<td>Thursday 19 September (week 8)</td>
<td>5%</td>
</tr>
<tr>
<td>Essay</td>
<td>Individual</td>
<td>Thursday 24 October (week 12)</td>
<td>20%</td>
</tr>
<tr>
<td>End-of-semester exam</td>
<td>Individual</td>
<td>Assessment period</td>
<td>70%</td>
</tr>
</tbody>
</table>

Problem sets

Students will answer two problem sets during semester. Students will form their own groups of a maximum of three students to complete these problem sets. One set of answers will be
submitted for the group. Answers will be submitted directly to the lecturer during the appropriate lecture. All members of a group will receive the same mark for the problem sets. The problem sets will be available for download from the LMS one to two weeks before the answers are due, under the “Assessments” menu item on the LMS.

Essay

Students will write a report critically analyzing a piece of Australian Labour Economics research. Students will be provided with a list of papers from which to choose one that most suits their interests. This list will be provided during week 8 of semester, and will be available for download from the LMS under the “Assessments” menu item.

Students will also present their findings to fellow students during lecture times in the last week of semester. Students will be graded on the clarity and accuracy of both their presentation and of the submitted document. One quarter of the marks for this essay will be based on the presentation, and the remaining three quarters will be based on the submitted document. The written document (typed in a minimum 12 point font with line spacing of 1.5 using a word processing package such as Microsoft Word) should be submitted directly to the lecturer at the start of the appropriate lecture.

End-of-semester exam

The end of semester exam, worth 70% of the grade in this subject, will cover all material presented in lectures. This final exam will occur during the University's normal end of semester assessment period, with the time, date and location provided by the University's administration later in the semester. The end of semester exam will be 2 hours in duration.

Exam Policy

The Faculty requires that you are available for the entire examination period. Supplementary exams will not be provided in cases of absence during the examination period, unless the absence is due to serious illness or other serious circumstances. See the Special Consideration web site for more information.

http://fbe.unimelb.edu.au/csc/assistance/special_consideration

The end of semester examination period for this semester is from Monday 4 November until Friday 22 November, 2013.

Plagiarism and Collusion

Presenting material from other sources without full acknowledgement (referred to as plagiarism) is heavily penalised. Penalties for plagiarism can include a mark of zero for the piece of assessment or a fail grade for the subject.

Plagiarism is the presentation by a student of an assignment identified as his or her own work even though it has been copied in whole or in part from another student’s work, or from any
other source (e.g. published books, web-based materials or periodicals), without due acknowledgement in the text.

Collusion is the presentation by a student of an assignment as his or her own work when it is, in fact, the result (in whole or in part) of unauthorised collaboration with another person or persons. Both the student presenting the assignment and the student(s) willingly supplying unauthorised material are considered participants in the act of academic misconduct. See the following website for more information.


Penalties for Late Submission and Exceeding Word Limits

In order to ensure equality for all students, the essay must be completed within specified time limits. Late submissions will attract a marking penalty where approval for late submission has not been given by the relevant student centre. For an essay submitted after the due date, the mark a student is awarded for their work will be reduced by 10% for each day the work is late. This means that after three days, a student originally awarded 75% will be awarded 45%. Unless an extension has been granted, assignments submitted later than 5 working days after the due date will not be marked, and will receive no marks.

For the presentation, students who do not present at the time allocated will be penalised the full 100% of the mark for the presentation, which is one quarter of the overall mark for the essay.

Essay submissions that exceed word limits will also attract marking penalties. Essays that exceed the word limit by more than 10%, inclusive of footnotes, will attract a marking penalty of 10% of the marks that would otherwise have been awarded. Assignments that exceed the word limit by 25% or more may attract a higher penalty, including a cap on the maximum grade awarded.

Where a student's capacity to prepare a piece of assessment has been affected by factors beyond their control, such as illness or some other unexpected occurrence, students may apply for an extension. To apply for an extension, students should contact the Commerce Student Centre (undergraduate students) or the Melbourne Business School Student Centre (MBS) (post-graduate students). Students should make such applications before the essay is due.

Special Consideration

Students who have been significantly affected by illness or other serious circumstances during the semester may be eligible to apply for Special Consideration. The following website contains detailed information relating to who can apply for Special Consideration and the process for making an application:

http://www.csc.unimelb.edu.au/assistance/special_consideration
Referencing

All sources used for a written piece of assessment must be referenced. This is to acknowledge that your material is not based entirely on your own ideas, but is based, in part, on the ideas, information, and evidence of others. This is desirable as you are attending University in order to learn from others.

You will be required to use the APA system or Harvard System of referencing. The FBE Centre for Excellence in Learning and Teaching (CELT) has prepared a booklet for each system specifically to assist students to reference correctly. Each booklet contains many examples that will help you when preparing your assignments. The booklets can be found here:


and


It is important that all material you present for assessment is referenced correctly. Material that has not been referenced correctly may be considered to be plagiarised, and as such may be penalised. We will also look for evidence that material included in the bibliography has been used in the assessment. Including references that have not been used may also result in your assessment being penalised.

Group Work

Working in groups can sometimes be more difficult than working individually. However, team-work and organisational skills associated with group work are highly valued by employers. With careful management and ongoing communication, you can have a successful and rewarding experience working in a team.

You should exchange names, phone numbers, and email addresses with your group members straight away. If you have difficulty with a member of your group, you should contact your lecturer as soon as possible. Do not leave issues unresolved until just before or after your group problem set is due. All students within your group will be given the same mark for the problem sets, so choose your group members wisely.

Other Subject Resources

The following resources are provided to assist your learning:

Centre for Excellence in Learning & Teaching

The FBE Centre for Excellence in Learning and Teaching (CELT) provides services and resources to enhance your learning in Business and Economics.
Maximise your academic success by taking part in CELT services that develop:

- Skills in research, referencing and academic writing
- Mastery of different assignment types
- Effective study techniques
- Abilities to learn effectively with your peers
- Transition to the faculty and understanding of academic expectations

The Centre also provides an extensive range of helpsheets that can enhance your academic performance in Business and Economics. These are available or online or at the Centre.

Visit the CELT site to learn more and get involved.

www.fbe.unimelb.edu.au/celt

Past Exams

End-of-semester exams from the past several years will be available for download from the LMS later in semester. Note that apart from the 2012 exam, these past exams were written by a different subject co-ordinator, and some of the focus of the subject in those years was a little different. Thus not all questions in those exams will be directly relevant for the exam this semester. I will provide guidance on which questions from those exams are relevant.

Other Information

Useful websites

Here are a number of websites where useful information about labour markets and Australian conditions can be found.

1. The Australian Bureau of Statistics (ABS) has statistics on the labour force, consumer price indices, other household surveys, research papers, et cetera.
   http://www.abs.gov.au

2. The Organisation for Economic Co-operation and Development (OECD) publishes the Employment Outlook, an annual review of employment conditions around the world, including useful articles on many topics.
   http://www.oecd.org

3. Australian Council of Trade Unions (ACTU):
   http://www.actu.asn.au
4. Fair Work Commission:
   http://www.fwc.gov.au

5. The Australian Industrial Relations Commission (AIRC):
   http://www.airc.gov.au

6. Guides to Australian Government Payments on the Centrelink website:

7. The Australian Taxation Office, for fun things like income tax schedules: