

(50)

Elective Courses (Economics)

Code: ECON-310

Title: Labor Economics

Credit Hours: 03

Prerequisite: Intermediate Microeconomics & Intermediate Macroeconomics

Objectives:

The objective of this course is to provide an introduction to the broad field of labor economics. Students will become familiar with models of how firms make decisions about their need for workers, how workers make labor supply decisions, and how wages and other benefits are determined. Historical labor market trends and other important issues that affect the labor market such as immigration, discrimination, and unions are also discussed. Throughout the course we will investigate the effects of relevant public policies (such as minimum wage, employment subsidies, and unemployment insurance) on the labor market.

Course Contents

Introduction

What is Labor Economics? Importance of Labor Economics

Labor Supply

Basic Concepts, Measures and Definitions, Labor Supply Theory, Static Labor Supply, Utility Function, Marginal Rate of Substitution, Constraints, The Solution to Worker's Optimization problem, Reservation Wage, Hours of Work Decision, Comparative Statics, Substitution Effect and Income Effect, Slutsky Equation, Fixed Cost of Going to Work, Unemployment Benefits, Inter-temporal Labor Supply.

Labor Demand

The objective of the Firm, How Firms Decide How Much Labor to Hire? The Demand for Labor in the Short Run, The Demand for Labor in the Long Run, Substitution and Scale Effect, Elasticity of Substitution, Elasticity of Labor Demand and its Determinants, Non-Wage Costs of Employment

Labor Market Equilibrium

Equilibrium in Competitive Labor Markets, Shifts in Demand and Supply, The Cobweb Model, The Effects of Government Intervention on Equilibrium, Monopsonistic Labor Market, Minimum Wages in a Monopsonistic Labor Market.

Education and Training

The Schooling Model, The Wage-Schooling Locus, The Stopping Rule, Estimating the Rate of return to Schooling, Signaling Model, Human Capital Model, On-the-job Training, Estimates of the Returns on Training.

(57)

The Distribution of Earnings

Labor Market Discrimination, Employer Discrimination, Employment in a Discriminating Firm, Discrimination and Profits, Nepotism Coefficient, Black Labor Market Equilibrium, Employee Discrimination, Customer Discrimination, Measuring Discrimination, The Oaxaca Decomposition, Wage Inequality, A Simple Model of Labor Market, Reasons for wage inequality.

Trade Unions

Where and Why do Unions Exist? First Bargaining Structure, Leontieff's Monoply union Model, Efficiency of Unions.

Recommended Books:

- Borjas, G.J. (2009). Labor economics. (Boston, Mass.; London: Irwin/McGraw-Hill) fifth edition [ISBN 9780070172708].
- Briggs, V.M., A.G. & Marshall, F.R. (1980). Labor Economics: Wages, Employment and Trade Union. Richard D. Irwing, Inc Home wood Illusions.
- Edgmand, M.R. (1979). Macroeconomic Theory and Policy, Prentice Hall.
- Ehrenberg, R.G., & Smith R.S. (1997). Modern Labor Economics: Theory and Public Policy. Addison-Wesley.
- Kaufman, B.E., & Hotchkiss, J.L. (2003). Labor Market Economics. Cengage Learning
- Lloyd Reynolds, Labor Economics and Labor Relations.
- Mc Connell, C-R., Bruce, S.L., & Macpherson, D.A. (2003). Contemporary Labor Economics. MCgraw-Hill.
- Smith Stephen (2003). Labour Economics, Routledge Publishers.