

## **Course Code: ECON-326**

**Course Title: Labor Economics**

**Credit Hours: 03**

**Prerequisite: Intermediate Microeconomics & Intermediate Macroeconomics**

### **Course Objectives:**

This course provides 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 are determined. 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.

### **Learning Outcomes:**

Students will learn:

- the theoretical models explaining the dynamics of demand and supply of labour market.
- The issues of wage determination and how to explain the wage differentials.

**Course Contents:**

<b>Introduction</b>	What is Labor Economics? Importance of Labor Economics
<b>Labor Supply</b>	Basic Concepts and Definitions: unemployment, reasons of unemployment, labor force, labor participation, etc. with special reference to Pakistan, reservation wage, unemployment benefits, safety net.  Household labor supply model: Marginal Rate of Substitution, Constraints, solution to Worker's Optimization problem, Hours of Work Decision, Comparative Statics, Substitution Effect and Income Effect, determination of Reservation Wage, cost of working, Unemployment Benefits, Inter-temporal Labor Supply.
<b>Labor Demand</b>	The objective of the Firm, Labor Demand model: The Demand for Labor in the Short Run and Long Run, derived demand, Substitution and Scale Effect, Elasticity of Substitution, Elasticity of Labor Demand and its Determinants, Non-Wage Costs of Employment
<b>Labor Market Equilibrium</b>	Equilibrium in Competitive Labor Markets, Shifts in Demand and Supply, The Cobweb Model, Monopsonistic Labor Market, Minimum Wages in a Monopsonistic Labor Market, The Effects of Government Intervention on Equilibrium.
<b>Education and Training</b>	The Schooling Model, The Wage-Schooling Locus, The Stopping Rule, Signaling Model, Human Capital Model, On-the-job Training, Returns on Training with reference to Pakistan.
<b>The Distribution of Earnings</b>	Wages and distribution of national income, GINI coefficient, wage-share and income-share, relation between income and savings rate
<b>Further Topics in Labor Economics</b>	Labor Market Discrimination, Employer Discrimination, Informal Labor Market, Employee Discrimination. Wage Inequality: A Simple Model of Labor Market, Reasons for wage inequality. Immigration (domestic and international)
<b>Trade Unions</b>	Where and why Unions Exist? First Bargaining Structure, Leontieff's Monoploy union Model, Efficiency of Unions.

**Teaching Methodology:**

- To deliver lectures on topics included in course outline
- To require each student to solve independent assignments on topics included in the course.

### **Evaluation Criteria:**

<b>Evaluation Method</b>	
Quizzes/Assignments	
Mid-Term Exam	
Final-Term Exam	

### **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.