

ECON0047

The Economics of Labour

2020-21

Aims and objectives of the ECON0047 course:

Aims:

1. To provide a survey of theoretical and empirical aspects of modern labour economics.
2. To provide applications, in the context of labour markets, of analytical concepts and empirical techniques taught in the core courses of the BSc Economics degree (and joint degrees).

Objectives:

After completing the course, students should be able to:

1. Describe the main characteristics of, and recent developments in, labour markets of OECD-type economies;
2. Apply basic optimisation techniques to solve stylised problems relating to labour markets;
3. Apply methods and specialised knowledge from the course to public policy debates on labour market issues.
4. Critically evaluate empirical findings of applied labour economics research.

Course Outline

What follows is an outline of the main areas to be covered. It will not be possible to cover everything in equal depth and some topics may have to be omitted entirely. At the end of the course, to assist your revision, I will indicate which, if any, sections will definitely *not* appear in this year's examination.

Part A. An overview of the labour market.

Stocks and flows in the labour market.

Importance/significance of the stock/flow distinction

A basic stock-flow model of the labour market

Some labour market facts and figures.

UK

International comparisons

Initial effects of COVID-19 on the labour market

Part B. Basic analytical framework

Labour supply

Hours

Participation

Applications and extensions of basic model

Empirical studies

Labour demand

Substitution and scale effects

Short and long run

Monopsony

The demand for hours and for workers

Adjustment costs

Minimum wages

Overall labour market

Equilibrium, including uncertainty, lags, etc.

Effects of institutions

Part C. Relative Earnings.

Compensating differentials

Basic concept of compensating differentials

Human capital (education and training)

Labour market discrimination

Theory

Measurement

*The distribution of earnings and income**

Recent changes in earnings inequality in Europe and the US

*Earnings mobility**

Intergenerational transmission of earnings advantage

Part D. Technical Change and the Labour Market

Intensification of ICT (+AI) throughout the economy.

Potential effects on aggregate employment and unemployment.

Polarisation of the job distribution.

Earnings effects.

Policy responses

Part E. COVID-19 and the Labour Market

Effects on labour demand

Effects on labour supply

Effects on working modes, locations and productivity

Distributional effects

Part F. Unemployment (and other macro labour issues)

*Efficiency wages**

Job search

Equilibrium unemployment in a wage- and price-setting model.

The Beveridge curve.

Combining wage-setting, price-setting and the Beveridge curve.

Empirical aspects of unemployment

Measurement of unemployment

Inflows and duration

Measuring the NAIRU and its changes

Empirical Beveridge Curve analysis

Policy

Policies affecting labour demand

Policies affecting labour supply

Institutional changes

Evaluation of active labour market policies

* Optional topics which may be omitted in 2020-21.