

Lecturer: Dr. Parama Chaudhury
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Office: G23 Drayton House
Office Hours: Thursdays 12.30PM-1.30PM (Term 2)

Lectures: Thursdays 2PM-4PM at TBC

Course Description: This is a course about the economics of labour relations, a topic which has recently re-emerged as a topic of major interest for labour economists. The first part of the course deals with the key human resources issues of recruitment, retention and motivation. Topics covered include employee selection, design of optimal piece rates, advantages and disadvantages of seniority-based pay, tournaments and promotions, and incentives in team production. In this part of the course we assume that employers are represented individually in the employment relations. In second part of the course we look at what happens when unions enter the picture. We analyse how wages and employment are set according to various union models and then use our theoretical understanding of unions to critically discuss the empirical literature on the wage and employment effect of unions.

Coursework:

The following elements of formative coursework are mandatory.

1. You will have a short problem set assigned for each tutorial week (FOUR in total).
2. Attendance and participation in each of the tutorials will require presenting problem set/essay results.

Coursework marks do not count towards the final grade in this module. ***But please note that inadequate performance in coursework or absence from classes may result in a student not being allowed to sit the final examination.***

Assessment:

The following elements of summative assessment all count towards the final mark in this module as indicated next to each element below and are mandatory. More details on each of these elements on the last page of this document.

1. In-class quizzes (15%) – you will be asked 5-6 multiple choice questions (MCQs) in each lecture session, using the Echo360 ALP system that we use in all lectures
2. Case study (20% + 30%) – you will need to complete a case study on an assigned topic, working in a group and (a) present a group poster presentation on it (20% of final mark) and (b) submit an individually written case report (1000 words, 30% of final mark)
3. Final MCQ exam (35%) – this will be held at the end of term, using the Moodle platform.

Readings

Please note that there is ***no need to purchase*** any textbooks as the material is mostly based on my notes and outside readings. So as long as you have access to the books (e.g. through the library), you should be fine.

The main text relevant to the first part is Lazear, E. P., and M. Gibbs, 2008, *Personnel Economics in Practice*, John Wiley & Sons (henceforth referred to as LG). You can also use the earlier edition of this book, Lazear, E. P., 1998, *Personnel Economics for Managers*, John Wiley & Sons.

The main text relevant to the second part is Booth, A.L., 1995, *The Economics of the Trade Union*, Cambridge: Cambridge University Press (henceforth referred to as AB). For both parts of the course, you can also consult the relevant chapters in two excellent labour textbooks, one by G. Borjas and the other by R. Ehrenberg and R. Smith. Please note that additional readings will be posted on the Lecture materials tab on Moodle and these are all included in the material for the final exam.

In addition to the following, you will be assigned a set of ***readings for the case studies*** which will be useful for your group presentation and case report.

Labour market overview

- AB Chapter 2.
- Burgess, S., 1999, [The Reallocation of Labour: An International Comparison Using Job Tenure](#), CEP Discussion Papers 0416, Centre for Economic Performance, LSE.
- Lazear, E. P., 2000, [The Future of Personnel Economics](#), *Economic Journal* 110, F611-F639.

Hiring employees

- LG, Chapters 1 and 2
- <http://www.cnn.com/2008/LIVING/worklife/10/29/cb.job.seekers.employers/index.html>
- <http://www.nbc.com/the-office/video/branch-closing/116285>
- <http://www.youtube.com/watch?v=96Yo5Fi4sTk&feature=related> and http://www.youtube.com/watch?v=vxj1RDbp_iE
- Baron, J. and D.M. Kreps, 1999, *Strategic Human Resources*, John Wiley & Sons, Chapter 14.
- Brown, C., 1990, [Firms' Choice of Method of Pay](#), *Industrial and Labor Relations Review* 43, 165S-183S.
- Holzer, H., 1987, [Hiring Procedures in the Firm: Their Economic Determinants and Outcomes](#), NBER WP 2185.

The training decision

- LG, Chapters 3 and 4
- Barrow, L. and C Rouse, 2005, "Does College Still Pay", *The Economist's Voice*, vol. 2 (BE Press)
- Baron, J. and D.M. Kreps, 1999, *Strategic Human Resources*, John Wiley & Sons, Chapter 15.
- Ehrenberg, R.G. and R.S. Smith, 2003, *Modern Labor Economics*, New York: Addison Wesley, pp.141-160. (Ninth Edition: pp. 153-163 on 'Training Investments' and 'Hiring Investments' as quasi-fixed labour costs, as well as Chapter 9 on Human Capital.)
- Kletzer, L., 1998, [Job Displacement](#), *Journal of Economic Perspectives* 12, pp. 115-136

Motivating employees: Piece rates, time-based pay, efficiency wages and seniority

- LG, Chapters 9,10 and 11.
- <http://www.econ.ucsb.edu/~babcock/Mathewson.pdf>

- http://money.cnn.com/2008/09/05/retirement/take_buyout.moneymag/index.htm
- http://www.businessweek.com/magazine/content/07_46/b4058065.htm
- http://www.newyorker.com/archive/2002/07/22/020722fa_fact?currentPage=1
- http://www.slate.com/articles/arts/the_undercover_economist/2006/12/were_watching_you_slacker.html?nav=tap3
- Baron, J. and D.M. Kreps, 1999, *Strategic Human Resources*, John Wiley & Sons, Chapters 10 and 11.
- Brickley, Smith, Zimmerman, *Organizational Architecture*, Chicago: Richard D. Irwin, Chapters 11 and 12 (Third edition, Chapters 14 and 15).
- Lazear, E., 2000, [Performance Pay and Productivity](#), *American Economic Review* 90, 1346-61.

Economic models of trade unions

- AB Chapters 4 and 5.
- Farber, H., 2001, [Notes on the Economics of Labor Unions](#), Princeton University Industrial Relation Sections, Working Paper 452.
- McDonald, I.M. and R.M. Solow, 1981, [Wage Bargaining and Employment](#), *American Economic Review* 71, pp. 896-908.

The impact of unions: union wage mark-ups, employment, investment and profitability

- AB Chapters 6 and 7.
- DiNardo, J. and D. Lee, 2004, [Economic Impacts of New Unionization On Private Sector Employers: 1984-2001](#), *Quarterly Journal of Economics* 119, 1383-1441.
- Freeman, R.B., 1980, [The Exit-Voice Tradeoff in the Labor Market: Unionism, Job Tenure, Quits, and Separations](#), *Quarterly Journal of Economics* 94, 643-673. [JSTOR]
- Machin, S., 2000, [Union Decline in Britain](#), *British Journal of Industrial Relations* 38: 631-46.
- Pencavel, J., 2003, [The Surprising Retreat of Union Britain](#), NBER working paper 9564.

Coursework Information:

1. In-class quizzes (15%) – These are MCQs which will be asked during each lecture session (about 4-5 per session), and responses will be submitted through the Echo360 ALP system that we will use to deliver all lecture materials in this module. The best 75% of each quiz will be included in the final mark in this module.
2. Case study (20% + 30%) – You will be assigned to case study groups at the beginning of term, and each group will be allocated a case study topic. Your group will then be asked to lead the discussion on the day we discuss your assigned case. At the end of term, each group will present their case study poster, based on the in-class discussion as well as your independent research on the case. Finally, each individual will need to submit a case report based on their case and poster. This report will be due at the start of Term 3.
3. Final MCQ exam (35%) – This exam will be done through Moodle and you will receive detailed instructions closer to the date. Each student will receive a randomized selection of questions to complete within the prescribed time window. This test will cover content from the entire module including lecture materials and readings.