Name of the subject: Labour Economics


Course: 3rd/4th Course

Term: 3rd Term

Number of ECTS credits: 5

Hours of student’s dedication: 125

Language or languages of instruction: English

Professor: María Cervini Plá

1. Presentation of the subject

This course provides an overview of the main concepts of modern labour economics, including labour supply, labour demand, the human capital model, compensating wage differentials, discrimination, wage inequality, unemployment, unions, immigration and trade. The course focuses both on the theories that have been developed to understand the functioning of the labour market, and on the empirical analysis and evaluation of labour market relevant public policies.

2. Competences to be attained

Students will acquire knowledge about the key factors driving labour market outcomes in today’s globalized world. They will learn how the specific incentives of the main players in the labour market – individual workers, firms, unions and the government – determine their interactions and how these interactions translate into aggregate labour market indicators. Students will also be able to critically assess the important role of public policy in the labour market context.

Specific competencies to be attained: G1, G2, G7, G9, G10, E2, G13, G18 and G19.
3. Contents

Week 1: Introduction and Overview of the Labour Market

Bibliography
• Ehrenberg, Ronald G. and Robert S. Smith (2014), Chapters 1 and 2.
• Borjas, George J. (2013), Chapter 1.

Week 2: Labour Supply

2. Theory of Choice of Hours of Work.
3. Labour Supply over the Life-Cycle.

Bibliography
• Borjas, George J. (2013), Chapter 2 and 3.

Week 3: Labour Demand and Labour Market Equilibrium

2. Dynamic Labour Demand.
3. Labour Market Equilibrium.

Bibliography
• Borjas, George J. (2013), Chapter 4 and 5.

Week 4: Wage Determination

1. Investment in Education: Human Capital Theory vs Signalling Theory.

Bibliography
• Borjas, George J. (2013), Chapter 7.

2. Compensating Wage Differentials.

Bibliography
• Borjas, George J. (2013), Chapter 6.

3. Efficiency Wage Theories.

Bibliography
• Borjas, George J. (2013), Chapter 12.
**Week 5: Discrimination**

1. Evidence on Gender Discrimination.
2. Theories of Discrimination.

**Bibliography**

**Week 6: Unemployment**

1. Frictional Unemployment.
2. Structural Unemployment.
3. Demand-Deficient or Cyclical Unemployment.
   3.1. Implicit Contract Theory.
   3.2. Efficiency Wage Theories.
   3.3. Insider-Outside Theory.
4. Hysteresis.

**Bibliography**

**Week 7: Unions**

2. The Effects of Unions.

**Bibliography**
- Borjas, George J. (2013), Chapter 11.

**Week 8: Inequality in earnings**

1. Measuring inequality
2. Causes of growing inequality

**Bibliography**
- Borjas, George J. (2013), Chapter 8.

**Week 9: Immigration and the Labour Market**

1. Migration push and pull factors: the gravity model
2. Migration effects on the host country labour market: impact on native workers, assimilation
3. Migration and origin countries: remittances and return migration.
Bibliography


Week 10: Summary and policy discussion

4. Assessment

The final grade will consist of three components:

1. The final exam (60%).
2. Problem sets to be assigned in class (20%).
3. Class participation and paper summaries (20%)

To pass the overall course, you need at least a grade of 40/100 in the final exam!
If you do not pass the exam, the grade reported in the system will be your overall grade (applying the weights above) unless this is equal or higher than 5, in which case the reported grade will be set to 4.9.

There will be a resit exam in July. Grades for problem sets and written reports will continue to count for the final grade after the resit exam. Minimum requirement in resit exam to pass the overall course is 40/100.

5. Bibliography and teaching resources

5.1. Basic bibliography

The course will primarily follow the textbooks:


5.2. Additional bibliography

An additional reading list (mainly journal articles and reports) will be distributed during the course.

5.3. Teaching resources

Slides for the lectures will be uploaded prior to class.

6. Methodology

Theory lectures (April 11th-June 17th) and practical seminars (May 2nd – June 10th).