



# ECON244

## Labour Market Economics

S2 Day 2019

*Dept of Economics*

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#### **Disclaimer**

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## General Information

Unit convenor and teaching staff

Unit Convenor

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Consultation - Check iLearn

Tony Bryant

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Credit points

3

Prerequisites

(15cp at 100 level or above) including (ECON110 or ECON111)

Corequisites

Co-badged status

Unit description

This is a unit in the economics of the labour market. It deals with some of the most fascinating and practical questions in economics; questions such as the following. How do firms use their remuneration systems to motivate their employees to work hard? When and why do employers and employees want a 'long-term relationship'? What are deferred compensation systems? What are internal labour markets and why do some firms run them? Why do some firms structure executive salaries to mimic the monetary payoff structure of a sporting tournament? Is investing in a university degree a good idea? Why do firms invest in training their employees? Who ultimately pays for this investment; the employer or the employee? How can asymmetric information lead to discrimination in the labour market? How would we measure such discrimination? Has the demand for labour in recent years resulted in job polarisation; that is, in the creation of 'lovely' jobs and 'lousy' jobs? This unit explores these issues and much more.

## Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

## Learning Outcomes

On successful completion of this unit, you will be able to:

Demonstrate a solid understanding of labour market theory.

Recognize how labour market theory aids decision-making by individuals, business and government.

Communicate effectively on labour market issues.

Apply labour market theory to solve problems.

Recognise how economic theory can explain observed human behaviour.

## Assessment Tasks

Name	Weighting	Hurdle	Due
<u>Weekly Tutorial Worksheets</u>	40%	No	Weekly from week 3
<u>Final Examination</u>	60%	No	University Examination Period

### Weekly Tutorial Worksheets

Due: **Weekly from week 3**

Weighting: **40%**

Tutorials start in week 2. However, from week 3, the class will work through a series of tutorial worksheets. The worksheet questions will typically be based on previous lectures and associated readings and will attempt to reinforce that material as well as set students up to better understand the material on which it will build in subsequent lectures. All of these worksheets need to be submitted by 11.59 pm of the Friday after the tutorial in which they were discussed. The submission occurs via Turnitin on the ECON244 iLearn page. We will work as a group through the questions in the tutorial, but it is up to each student to submit their own individual worksheet.

Please note that no extensions will be granted. Late assignments will be accepted up to 96 hours after the submission deadline. There will be a deduction of 20% of the total available marks made from the total awarded mark for each 24 hour period or part thereof that the submission is late (for example, 25 hours late means a 40% penalty). The only exception are those students who experience illness or misadventure in relation to this task, they can apply for special consideration and if approved may be expected to undertake another assessment task.

Note that there will not be a worksheet due (i) in week 9 because of the public holiday on Monday, 7 October and (ii) in week 13 as this tutorial will be devoted to a wrap-up and revision session.

Students are required to submit all NINE of the worksheets, but only FOUR will be chosen to be

marked. These will be worth ten marks each and so contribute 40% of the overall assessment in the unit. The four to be marked will be chosen randomly.

More detail about the worksheets will be provided in the first tutorial in week 2 and via iLearn.

On successful completion you will be able to:

- Demonstrate a solid understanding of labour market theory.
- Recognize how labour market theory aids decision-making by individuals, business and government.
- Communicate effectively on labour market issues.
- Apply labour market theory to solve problems.
- Recognise how economic theory can explain observed human behaviour.

## Final Examination

Due: **University Examination Period**

Weighting: **60%**

An end of unit two hour examination held during the end of year examination period. The exam will cover all aspects of the unit material. It will involve answering three essay type questions that will give you the chance to demonstrate your knowledge of the economic concepts and labour market applications covered during the session. If you cannot make the final exam due to documented illness or unavoidable disruption you may make an application under the university special consideration policy. If this application succeeds you may be granted a Supplementary Exam that will be held in late December.

On successful completion you will be able to:

- Demonstrate a solid understanding of labour market theory.
- Recognize how labour market theory aids decision-making by individuals, business and government.
- Apply labour market theory to solve problems.
- Recognise how economic theory can explain observed human behaviour.

## Delivery and Resources

### Classes

There will be one two-hour lecture each week, beginning in week one. There will be a one-hour tutorial each week, beginning in week two.

The timetable for classes can be found on the university web site at:

<http://www.timetables.mq.edu.au>

## Required and Recommended Texts and/or Materials

### Recommended Text

The unit is based on the following textbook:

Kaufman, Bruce & Hotchkiss, Julie (2006) (7th ed) *The Economics of Labor Markets*, Mason (OH): South-Western (Thomson Learning).

Students **DO NOT** need to purchase this textbook. The sections from the textbook that are used in the unit are available to students via the econ244 e-reserve folder.

### Additional References

Productivity Commission (2015) *Workplace Relations Framework*, Final Report Volumes 1 & 2, Canberra. This is a very useful report because it situates the Australian labour market in its broader institutional and cultural context. Available as a free download from:

<https://www.pc.gov.au/inquiries/completed/workplace-relations/report>

Other references will be listed on the lecture slides on a weekly basis and where possible will be provided on the iLearn unit website or in econ244 e-reserve folder .

### Technology Used and Required

#### Unit Web Page

The web page for this unit can be accessed via **ilearn.mq.edu.au**. *You should check this web page regularly*. The lecture slides for each weeks lecture will be posted on the web page, before the lecture. You will find it useful to download the slides prior to the lecture, and bring to them to the lecture. We also use the web page to post important notices from time to time.

## Teaching and Learning Strategy

This unit is taught as a mix of tutorials and lectures. The lectures are designed to provide the tools which can then be applied in tutorials.

- **Lectures – (2 hours each teaching week)**
  - Lectures are intended to provide an overview of the key concepts explored in the unit. Students are expected to attend all lectures and the read the relevant textbook chapters before each lecture.
- **Tutorials – (1 hour each teaching week beginning in Week 2)**
  - Tutorials constitute a critical learning experience of this unit and students must attend them, prepare for them and actively participate in them. Your tutor will help you to understand the tutorial material and can also give guidance on how to approach problems.
- **Independent learning**
  - Econ244 relies heavily on independent learning where students read the relevant

chapters and papers, revise lecture notes and contribute to tutorial discussion.

## Unit Schedule

Weeks	Lecture Topics & Key Dates
1	<p><b>LECTURE 1:</b></p> <p><b>INTRODUCTION TO THE STUDY OF LABOUR MARKETS</b></p> <p>Topics covered include; what is modern labour economics, schools of thought in labour economics, is labour fundamentally different from other commodities, labour market processes and labour market outcomes.</p> <p><b>Readings:</b></p> <p>Kaufman &amp; Hotchkiss (hereafter K &amp; H) Ch.1</p> <p>Garvey, G. T. (1994) "Why labour is not different?" <i>Agenda</i>, 1(1), pp 5-12</p> <p>Productivity Commission (2015) <i>Workplace Relations Framework</i>, Final Report Volume 1, Chapter 1 &amp; 2 and Appendix H.</p>
2 & 3	<p><b>Tutorials begin in week 2 (relax, your tutor will lead the first tutorial)</b></p> <p><b>LECTURES 2 &amp; 3:</b></p> <p><b>LABOUR SUPPLY IN THE SHORT-RUN</b></p> <p>Topics covered include; the neoclassical theory of short-run labour supply, applications and evidence on the Australian labour supply, in particular the issue of penalty rates will be looked at..</p> <p><b>Readings:</b></p> <p>K&amp;H Ch.2 pp 44-62 and pp71-94. &amp; Ch.3 pp114-150 and pp156-158</p> <p>Productivity Commission (2015) <i>Workplace Relations Framework</i>, Final Report, Chapters 9 - 15 &amp; Appendix F.</p> <p>Norris et al Ch 2, optional reading</p>
4 & 5	<p><b>LECTURES 4 &amp; 5:</b></p> <p><b>LABOUR DEMAND: SHORT RUN &amp; LONG RUN</b></p> <p>This topic presents and critically evaluates the neoclassical theory of labour demand in the short-run and long-run. Modified models of labour demand are also considered. The lecture also examines (i) the hypothesis that labour demand has become polarised, with growth occurring mainly at the top and bottom of the skill distribution and (ii) casual employment and gig/platform work.</p> <p><b>Readings:</b></p> <p>K&amp;H Ch.4 pp172-204 &amp; Ch.5 pp217-244</p> <p>Goos, M, Manning, A, and Salomons, A. (2009), 'Job Polarisation in Europe', <i>American Economic Review: Papers and Proceedings</i>, 99(2), pp58-63.</p> <p>Norris et al Ch 3 optional reading</p>

6 & 7	<p><b>LECTURES 6 &amp; 7</b></p> <p><b>HUMAN CAPITAL THEORY AND THE QUALITATIVE DIMENSION OF LABOUR SUPPLY</b></p> <p>This topic looks at the human capital account of investment in education and on-the-job training. It also explores the education/ earnings relationship from both an empirical and theoretical perspective. Finally, internships are examined in terms of whether they increase the employability of workers.</p> <p><b>Readings:</b></p> <p>K&amp;H Ch.7 pp326-340 and pp351-368</p> <p>Norris et al Ch 4 optional reading</p>
	<p><b>Mid session break - goes from 16 August to 27 August 2019</b></p>
8	<p><b>LECTURE 8:</b></p> <p><b>THE DETERMINATION OF WAGES AND THE ECONOMICS OF THE MINIMUM WAGE.</b></p> <p>Examination will be made of the wage determination under perfect competition. The rationale and economic consequences of government determined minimum wages will also be explored. Finally, the different methods of setting pay in Australia will be examined.</p> <p><b>References:</b></p> <p>K &amp; H Ch 6 pp260-294.</p> <p>Productivity Commission (2015) <i>Workplace Relations Framework</i>, Final Report, Chapters 4-7 and Appendices C, D &amp; E.</p> <p>Dowrick, S. and Quiggin, J. (2003), A survey of the literature on minimum wages, February 2003 [<a href="http://ecocomm.anu.edu.au/people/info/dowrick/Minimum-Wage.pdf">http://ecocomm.anu.edu.au/people/info/dowrick/Minimum-Wage.pdf</a>]</p>
9 & 10	<p><b>LECTURE 9: There is no lecture or tutorial in week 9 due to the Labour Day Public Holiday on 7 October 2019</b></p> <p><b>LECTURE 10:</b></p> <p><b>EMPLOYEE MOTIVATION AND COMPENSATION. COMPENSATION IN EXECUTIVE LABOUR MARKETS (THE THEORY OF TOURNAMENTS)</b></p> <p>This topic looks at issues surrounding the control of worker effort via payment schemes and other mechanisms. More specifically, piece rates versus time rates, and the theory of deferred-payment schemes. These lectures also examine compensation in executive labour markets via Tournament Theory. Empirical evidence in relation to all these issues is discussed.</p> <p><b>Readings: ** these references, and the detailed lecture slides, are the references you need to read for this topic. The others are purely optional and are included for the benefit of students who would like to go more deeply into this topic.</b></p> <p>**K&amp;H Ch 10 pp505-511, pp530-534, pp552-555. Ch 7 pp367-368.</p> <p>Norris et al pp 102-103.</p> <p>Lazear, E. P (2000b) "Performance Pay and Productivity", <i>American Economic Review</i>, 90(5),1346-61.</p> <p>Chang, C &amp; Miller, P (1996) "Incentive Effects in the Australian Labour Market: An Application of the Lazear and Moore Model", <i>Australian Economic Papers</i>, (June), 114-127.</p> <p>Lazear, E. P. &amp; Moore, R. L. (1984) "Incentives, Productivity and Labor Contracts", <i>Quarterly Journal of Economics</i>, (May), 275-296.</p> <p>Hutchens, R. (1987) "A Test of Lazear's Theory of Delayed Payment Contracts", <i>Journal of Labor Economics</i>, 5(4, part2), S153-S170.</p>

11	<p><b>LECTURE 11:</b></p> <p><b>TRADE UNIONS</b></p> <p>This topic look examines different theories of trade union membership and behaviour, union membership and density, collective bargaining, industrial disputes and union wage effects.</p> <p>K&amp;H Ch 11 &amp; 12</p> <p>Productivity Commission (2015) <i>Workplace Relations Framework</i>, Final Report Volume 1, Chapter 20.</p> <p>Pennington, A. (2018) <i>On the Brink: The Erosion of Enterprise Agreement Coverage in Australia's Private Sector</i>. Sydney: Centre for Future Work</p>
12	<p><b>LECTURE 12:</b></p> <p><b>OCCUPATIONAL WAGE DIFFERENTIALS: THEORY, APPLICATIONS AND EVIDENCE</b></p> <p>The classical and hedonic theories of compensating wage differentials will be presented and assessed. The hedonic theory will be applied to an examination of issues such as occupational health and safety, the growth of fringe benefits and the work/family-life balance debate. The lecture will also examine and appraise the empirical evidence relating to compensating wage differentials.</p> <p>References:</p> <p>K &amp; H Ch 8 pp387-418 and pp431-434</p>
13	<p><b>DISCRIMINATION IN THE LABOUR MARKET</b></p> <p>This lecture examines the causes and consequences of discrimination in the labour market. The measurement of discrimination in wages is outlined, as are recent trends in gender based wage discrimination.</p> <p><b>Readings:</b></p> <p>K &amp; H Ch.9 pp447-450, pp461-480</p> <p>Norris et al Ch 7, optional reading</p> <p>Smith, S. (1994), <i>Labour Economics</i>, Routledge, Chapter 5</p>

## Learning and Teaching Activities

### Lectures (2 hours per week)

Lectures are intended to provide an overview of the key concepts explored in the unit.

### Tutorials (1 hour per week)

Tutorials constitute a critical learning experience in this unit. Students must prepare for them, attend them and actively participate in them.

### Independent learning

Econ244 relies heavily on independent learning where students read the relevant chapters and papers, revise lecture notes and prepare to contribute to tutorial discussion.

## Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central \(https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-centr](https://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-centr)



al). Students should be aware of the following policies in particular with regard to Learning and Teaching:

- [Academic Appeals Policy](#)
- [Academic Integrity Policy](#)
- [Academic Progression Policy](#)
- [Assessment Policy](#)
- [Fitness to Practice Procedure](#)
- [Grade Appeal Policy](#)
- [Complaint Management Procedure for Students and Members of the Public](#)
- [Special Consideration Policy](#) (**Note:** *The Special Consideration Policy is effective from 4 December 2017 and replaces the Disruption to Studies Policy.*)

Undergraduate students seeking more policy resources can visit the [Student Policy Gateway](https://students.mq.edu.au/support/study/student-policy-gateway) (<https://students.mq.edu.au/support/study/student-policy-gateway>). It is your one-stop-shop for the key policies you need to know about throughout your undergraduate student journey.

If you would like to see all the policies relevant to Learning and Teaching visit [Policy Central](http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central) (<http://staff.mq.edu.au/work/strategy-planning-and-governance/university-policies-and-procedures/policy-central>).

## Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: <https://students.mq.edu.au/study/getting-started/student-conduct>

## Results

Results published on platform other than [eStudent](#), (eg. iLearn, Coursera etc.) or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit [ask.mq.edu.au](http://ask.mq.edu.au) or if you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## Academic Honesty

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic

Honesty Policy at [http://www.mq.edu.au/policy/docs/academic\\_honesty/policy.html](http://www.mq.edu.au/policy/docs/academic_honesty/policy.html)

## Grades

Macquarie University uses the following grades in coursework units of study:

- HD - High Distinction
- D - Distinction
- CR - Credit
- P - Pass
- F - Fail

Grade descriptors and other information concerning grading are contained in the Macquarie University Grading Policy which is available at:

<http://www.mq.edu.au/policy/docs/grading/policy.html>

## Grading Appeals and Final Examination Script Viewing

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes a valid grounds for appeal before appealing your grade.

[http://www.businessandeconomics.mq.edu.au/new\\_and\\_current\\_students/undergraduate\\_current\\_students/how\\_do\\_i/grade\\_appeals/](http://www.businessandeconomics.mq.edu.au/new_and_current_students/undergraduate_current_students/how_do_i/grade_appeals/)

## Disruption to Studies Policy

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A disruption to studies policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at:

[http://www.mq.edu.au/policy/docs/disruption\\_studies/policy.html](http://www.mq.edu.au/policy/docs/disruption_studies/policy.html)

## Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

## Learning Skills

Learning Skills ([mq.edu.au/learningskills](http://mq.edu.au/learningskills)) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)

- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

## Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

## Student Enquiries

For all student enquiries, visit Student Connect at [ask.mq.edu.au](http://ask.mq.edu.au)

If you are a Global MBA student contact [globalmba.support@mq.edu.au](mailto:globalmba.support@mq.edu.au)

## IT Help

For help with University computer systems and technology, visit [http://www.mq.edu.au/about\\_us/offices\\_and\\_units/information\\_technology/help/](http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/).

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

## Graduate Capabilities

### Discipline Specific Knowledge and Skills

Our graduates will take with them the intellectual development, depth and breadth of knowledge, scholarly understanding, and specific subject content in their chosen fields to make them competent and confident in their subject or profession. They will be able to demonstrate, where relevant, professional technical competence and meet professional standards. They will be able to articulate the structure of knowledge of their discipline, be able to adapt discipline-specific knowledge to novel situations, and be able to contribute from their discipline to inter-disciplinary solutions to problems.

This graduate capability is supported by:

### Learning outcomes

- Demonstrate a solid understanding of labour market theory.
- Recognise how economic theory can explain observed human behaviour.

### Assessment tasks

- Weekly Tutorial Worksheets
- Final Examination

### Problem Solving and Research Capability

Our graduates should be capable of researching; of analysing, and interpreting and assessing data and information in various forms; of drawing connections across fields of knowledge; and

they should be able to relate their knowledge to complex situations at work or in the world, in order to diagnose and solve problems. We want them to have the confidence to take the initiative in doing so, within an awareness of their own limitations.

This graduate capability is supported by:

## **Learning outcomes**

- Demonstrate a solid understanding of labour market theory.
- Recognize how labour market theory aids decision-making by individuals, business and government.
- Apply labour market theory to solve problems.

## **Assessment tasks**

- Weekly Tutorial Worksheets
- Final Examination

## **Effective Communication**

We want to develop in our students the ability to communicate and convey their views in forms effective with different audiences. We want our graduates to take with them the capability to read, listen, question, gather and evaluate information resources in a variety of formats, assess, write clearly, speak effectively, and to use visual communication and communication technologies as appropriate.

This graduate capability is supported by:

## **Learning outcome**

- Communicate effectively on labour market issues.

## **Assessment task**

- Weekly Tutorial Worksheets