

DEPARTMENT OF ECONOMICS

2022

APPLIED ECONOMICS 388

LABOUR ECONOMICS

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1. OVERVIEW OF THE MODULE

In this course we study theoretical and empirical aspects of labour economics, and also specifically look at the implications for the South African labour market. Throughout the course, we will focus on the use of econometric techniques in answering practical labour economic questions.

2. LECTURING SCHEDULE

This module usually entails four lectures per week. One of these is used for a labour econometrics tutorial, and the remaining three for labour economic lectures.

The normal lecture schedule and venue allocation is as follows:

Monday: 13:00-14:00	Formal lecture	To be confirmed
Monday: 14:00-15:00	Tutorial	To be confirmed
Wednesday: 15:00-16:00	Formal lecture	Van der Sterr 2118
Thursday: 9:00-10:00	Formal lecture	Van der Sterr 2118

Students are expected to stay up to date, by working through the relevant material posted on SUNLearn each week.

3. TUTORIALS

Apart from the labour economic lectures, there will also be weekly tutorial classes. In these classes, students will learn how to:

- use the Stata software package;
- use survey data to answer empirical labour market questions;
- use econometric techniques to model human behaviour

Students with access to a computer should please install Stata on this computer. The lecture slides for the first week's tutorial will contain instructions on how to do this. Students can then follow the weekly tutorial lecture slides and complete the exercises on their own computers.

4. ASSESSMENT

The assessment of this module will consist of two term tests and one assignment (for submission at the end of the third term). Your mark for labour economics contributes 50% to your total Economics 388 mark, and is calculated in the following way:

- Test 1 – 15%
- Test 2 – 20%
- Practical assignment – 12.5%
- Tests written in class 2.5%

There will also be three formative assessment opportunities, where students will submit assignments as part of the tutorials and receive feedback.

5. SOURCES:

The prescribed textbook for this course is:

Borjas, G.J., 2020. *Labor Economics, International Edition* (8th ed.), New York: McGraw- Hill.

OR

Borjas, G.J., 2016. *Labor Economics, International Edition* (7th ed.), New York: McGraw- Hill.

This textbook (and previous editions, which are also acceptable for this course) is very good at explaining important concepts and theories in labour economics. Because the South African labour market is so different from that of many other countries, we will make more use of data, graphs and class discussions, and less use of the textbook than in some other courses.

When preparing for tests, students are advised to:

- make sure they understand the content of the lecture and tutorial slides (by reading through the slides);
- consult the textbook for a more comprehensive discussion about the relevant theories and concepts, especially when the student feels slides are not sufficiently thorough to master certain concepts or theories;
- follow the class discussions;
- think about how the different labour economic theories and concepts apply to the South African labour market.

6. WORK PROGRAMME

6.1 DEFINITIONS AND MEASUREMENT

- Measuring the labour force
- Broad and narrow definitions of unemployment
- South African labour market trends

6.2 LABOUR SUPPLY

- The neoclassical model of labour supply
- Reservation wage
- Labour supply curve
- Household production
- Demographic composition in SA

6.3 LABOUR DEMAND

- The firm's production choice
- Elasticity of substitution
- Structure of labour demand in SA

6.4 LABOUR MARKET EQUILIBRIUM

- Equilibrium under perfect competition
- Monopsony
- Minimum wages
- Immigration

6.5 HUMAN CAPITAL

- Schooling model
- Schooling as signalling
- On-the-job-training
- Earnings functions

6.6 DISCRIMINATION

- Types of discrimination
- Affirmative action

6.7 LABOUR UNIONS

- Supply and demand of union jobs
- Insider-outsider model

6.8 UNEMPLOYMENT

- Types of unemployment
- Keynes' theory of unemployment
- Intertemporal substitution hypothesis
- Sectoral shift hypothesis
- Skills-biased technological growth
- Job-search theory
- Efficiency wages