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Department of Economics – Departement Ekonomie

Labour Economics 771 and 871

2021

Please note that this document, and the mode of learning and assessment of this module may be updated at short notice in response to national and university regulations that respond to the COVID-19 pandemic. The version posted on the SunLearn course page is considered the latest document.

Lectures and tutorials: Main lecture slot: Monday 14:00-16:00 (venue TBC)
Tutorials/alternative lecture slot: Thursday 16:30-18:30 (venue TBC)

Lecturers: Dieter von Fintel (dieter2@sun.ac.za) – course convenor
Kholekile Malindi (kholekile@sun.ac.za)
Debra Shepherd (debrashepherd@sun.ac.za)

Course administration Carina Smit (carina@sun.ac.za)

Aim and Objectives:

The aim of the module is to provide graduate students of economics with an understanding of the way labour markets operate and the implications this has for a range of policy objectives. The course seeks to provide the knowledge and skills necessary to work as a professional labour economist and to undertake research in labour economics.

The broad objectives of the course are:

- to identify the salient features of labour markets in modern economies;
- to study recent developments in economic theory and analyse their implications for the operation of labour markets;
- to evaluate the contribution of recent economic theory to our understanding of labour markets on the basis of empirical evidence;
- to develop students' ability to apply economic theory to the analysis of and to assess the results in the light of the empirical evidence using quantitative methods.

Prescribed Readings:

Selected chapter from the Handbook of Labor Economics series (referred to as HLE, and available electronically from <http://ideas.repec.org/s/eee/labchp.html>)

Selected chapter from Cahuc, P., & Zylberberg, A. (2004). *Labor Economics*. Cambridge, MA: MIT Press.

Several papers will be used as additional content resources and as examples of current theoretical and empirical work.

Assessment: Assessments will be weighted as follows:

	Honours 771	Masters 871
Lecture quizzes (during the lectures of Part I) <i>(Best 2 of 3 quizzes will count – students who miss more than one of these quizzes will be required to submit a medical certificate for all missed opportunities, and will be given an alternative form of assessment that may include written work or an oral test)</i>	20%	10%
Presentations (during the lectures of Part I) <i>(1 per Masters student)</i>	Not required	10%
Essay <i>(Due date: 15 October 2021 at 12:00 midday, students who do not hand in their essays will not receive the credits for the module; a late hand-in penalty of 2% per day, or part thereof, applies; students will submit essays electronically and must accept plagiarism declarations)</i>	40%	40%
Exam (Content: Parts II and III of the course)	40%	40%
TOTAL	100%	100%

Students who miss the exam must provide the department with a valid medical certificate within 48 hours of the scheduled exam time. They may qualify for a medical examination.

Students may qualify for a supplementary exam according to the following matrix:

		Exam mark	
		<40%	≥40%
Final	≥50%	Fail	Pass
Mark	<50%	Fail	Supplementary*

**with the possibility of improving the final mark to a maximum of 50%*

Tutorials: Tutorials will take place on Thursdays 16:30-18:30 in some weeks, though the slot will also be used to present extra lectures in some weeks. The purpose of these tutorials will be to provide students with the opportunity to apply selected econometric and mathematical techniques that are used by modern labour economic

researchers and practitioners. The tutorials will not be assessed directly, although the skills acquired will be indirectly assessed in the exam and prescribed essay.

Preliminary schedule

Lecture (Monday 14:00)		Tutorial/Extra lecture (Thursday 16:30)	
Part I: Labour Market Policies (<i>Prof DP von Fintel</i>)			
02 Aug	Introduction: Unemployment and Underemployment	05 Aug	Survey design and analysis
09 Aug	PUBLIC HOLIDAY	12 Aug	Regression discontinuity designs & RDD
16 Aug	Discrimination	19 Aug	
23 Aug	Minimum Wages	26 Aug	
30 Aug	Regional labour markets	02 Sept	
Part II: Labour Demand (<i>Dr K Malindi</i>)			
06 Sept	Labour Demand I	09 Sept	
13 Sept	Labour Demand II	16 Sept	Labour Demand - Theory Tutorial
20 Sept	RECESS	23 Sept	RECESS
Part III: Labour Supply, human capital and non-competitive labour markets (<i>Dr D Shepherd</i>)			
27 Sept	Labour Supply I	30 Sept	Panel data & Difference-in-difference
04 Oct	Labour Supply II	07 Oct	
11 Oct	Human Capital I	14 Oct	
18 Oct	Human Capital II	21 Oct	Lecture: Non-competitive labour markets
25 Oct	Non-competitive labour markets	28 Oct	Lecture: Non-competitive labour markets

Brief Lecture Outline:

Part I: Introduction and labour market policy – 4 weeks – Dieter von Fintel

1. Introduction: unemployment and underemployment

Fields, G.S. (2011), Labor market analysis for developing countries, *Labour Economics*, Vol 18, S1

Kingdon & Knight (2004), Unemployment in South Africa: The Nature of the Beast," *World Development*, Vol 32(3): 391-408.

Blattman & Dercon (2018), The Impacts of Industrial and Entrepreneurial Work on Income and Health: Experimental Evidence from Ethiopia. *American Economic Journal: Applied Economics*, Vol 10(3).

Kerr, A (2018). Job flows, worker flows, and churning in South Africa. *South African Journal of Economics*. 86(S1), 141-166.

Magruder (2012). High Unemployment Yet Few Small Firms: The Role of Centralized Bargaining in South Africa. *American Economic Journal: Applied Economics*, Vol 4(3).

2. Labour Market Discrimination

Arrow, K.J. (1998). What has Economics to say about racial discrimination? *The Journal of Economic Perspectives*, Vol 12(2)

Burger, R.P. & Jafta, R.C.C. (2006). Returns to race: labour market discrimination in post-apartheid South Africa. Stellenbosch Economic Working Paper 2006/3

Bertrand, M. & Mullainathan, S. (2004). Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination, *American Economic Review*, Vol 94(4)

Weisshaar, K. (2018). From Opt Out to Blocked Out: The Challenges for Labor Market Re-entry after Family-Related Employment Lapses. *American Sociological Review*, Vol 83(1)

Gneezy, U., List, J. & Price, M.K. (2012). Toward an understanding of why people discriminate: evidence from a series of natural field experiments. NBER Working Paper 17855

3. Minimum Wages

Brown, C. (1999). Minimum wages, employment and the distribution of income. *Handbook of Labor Economics*, Vol 3, Part B

Card, D. and Kruger, A. (1994) Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania, *American Economic Review*, Vol 84(4)

Harasztozi, P. and Lindner, A. (2019) Who pays for the minimum wage? *American Economic Review*, Vol 109(8)

Meer, J. and West, J. (2015) Effects of the minimum wage on employment dynamics. *The Journal of Human Resources*, Vol 51(2)

Bhorat, H., Kanbur, R. & Stanwix, B. (2017) Minimum wages in sub-Saharan Africa: a primer, *The World Bank Research Observer*, Vol 32(1)

Bhorat, H., Kanbur, R. & Mayet, N. (2013) The impact of sectoral minimum wage laws on employment, wages, and hours of work in South Africa, *IZA Journal of Labor and Development*, Vol 2(1)

4. Regional Labour Markets

Moretti, E. (2011) Local Labor Markets, *Handbook of Labor Economics*, Vol 4B

Rospabé, S. & Selod, H. (2006), Does city structure cause unemployment? The case of Cape Town, *Poverty and policy in post-apartheid South Africa*, HSRC Press

Brueckner, J.K., Rabe, C. & Selod, H. (2019), Backyarding: theory and evidence for South Africa, *Regional Science and Urban Economics*, Vol 79

Marinescu, I. & Rathelot, R. (2018). Mismatch unemployment and the geography of job search. *American Economic Journal: Macroeconomics*, Vol 10(3)

Part II: Labour demand – 2 weeks – Kholekile Malindi

- Static theory of labour demand
- Dynamics of labour demand

Readings will be assigned during lectures

Part III: Labour supply, human capital and non-competitive labour markets

5 weeks – Debra Shepherd

Labour supply (2 weeks)

Human capital theory (2 weeks)

Labour market equilibrium and non-competitive labour markets (1 week)

Readings will be assigned during lectures