

University of Stellenbosch / Department of Economics
Postgraduate course in

LABOUR ECONOMICS
Second Semester 2019

Course Convenor: Rulof Burger (rulof@sun.ac.za)

Lectures and tutorials: A two hour lecture per week and a two hour tutorial.
Monday 15:00-17:00 in Van der Sterr 1041 (Entrance 2)
Thursdays 16:00-18:00 in Fharga EKO2.1 (in the Neelsie)

Lecturers: Rulof Burger (rulof@sun.ac.za)
Kholekile Malindi (kholekile@sun.ac.za)
Dieter von Fintel (dieter2@sun.ac.za)

Course Aim and Objectives:

The aim of the course 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.

Evaluation: Students' performance on the course will be assessed with a mid-semester test (written on 19 September 2019 and covering the material in parts I and II of the course), an exam (written during the exam timetable – date to be confirmed – and covering parts III and IV) and an essay (to be submitted on 25 October 2019). These assessment will be weighted as follows:

- Essay: 40%
- Mid-semester: 30%
- Exam: 30%

Tutorials: Tutorials will take place on Thursdays 16:00-18:00 in Fharga EKO2.1 (in the Neelsie). Students will be informed about scheduled tutorials during the preceding Thursday lectures. The purpose of these tutorials will be to provide students with the opportunity to apply the 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.

Brief Lecture Outline:

Part I: Labour supply and human capital investment – 4 weeks – Rulof Burger

Labour supply (2 weeks):

- *Cahuc, P., & Zylberberg, A. (2004). *Labor Economics*. Cambridge, MA: MIT Press.
- *Blundell, R., & Macurdy, T. (1999). Labor supply: A review of alternative approaches. In O. Ashenfelter & D. Card (Eds.), *Handbook of labor economics* (Vol. 3A, pp. 1559-1695). Amsterdam: Elsevier.
- *Pencavel, J. (1987). Labor supply of men: A survey. In O. Ashenfelter & R. Layard (Eds.), *Handbook of labor economics* (Vol. 1, pp. 3-102). Amsterdam: Elsevier.
- Browning, M., Chiappori, P.-A., & Weiss, Y. (2011). Family economics. *Tel Aviv University, unpublished textbook manuscript*.
- Killingsworth, M. R., & Heckman, J. J. (1987). Female labor supply: A survey. In O. Ashenfelter & R. Layard (Eds.), *Handbook of labor economics* (Vol. 1, pp. 103-204). Amsterdam: Elsevier.

Human capital theory (2 weeks):

- *Card, D., 1999. The causal effect of education on earnings, Chapter 30 in *Handbook of Labor Economics*, vol. 3A: 1801-1863.
- *Keswell, M. and Poswell, L., 2004. Returns to education in South Africa: A retrospective sensitivity analysis of the available evidence. *The South African Journal of Economics* 72 (4): 834 – 860.
- *Krueger, A. B. and Lindahl, M., 2001. Education for growth: why and for whom? *Journal of Economic Literature*, 39(4): 1101-1136.

- Polachek, S.W., 2007. Earnings over the lifecycle: The Mincer earnings function and its applications. *IZA Discussion Paper* No. 3181. IZA: Bonn.
- Heckman, J.J., Locher, L.J. and Todd, P.E., 2008. Earnings Functions and Rates of Return, *IZA Discussion Paper* No. 3310. IZA: Bonn.

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: South African labour market topics – 4 weeks – Dieter von Fintel

- Unemployment
- Discrimination
- Minimum wages

Readings will be assigned during lectures

Part IV: Labour market equilibrium, non-competitive labour markets and behavioural labour economics – 2 weeks – Rulof Burger

- Labour market equilibrium
- Non-competitive labour markets
- Behavioural labour economics

Readings will be assigned during lectures