

Elective course in the area **Advanced Economics**

Labour Economics

Teaching Load

2,5 hours per week

Kind of course

Elective in Master Programme

ECTS Credit Points

5 = 150 hours

Lecture:

- 37,5 hours = 15 x 2,5 SWS

Self-study:

- 112,5 hours
 - 20,0 hours: Term Paper / Presentations
 - 62,5 hours: Required readings
 - 30,0 hours: Additional Readings

Lecturer

Prof. Dr. Wiebke Störmann

Course objective and Learning Outcomes

Students are introduced to micro- and macroeconomic theories and methods for the analysis of labor markets. The course emphasizes informational problems arising in labor market interactions (job search and matching) as well as explanations of equilibrium unemployment (theories of union behavior, efficiency wages). Other important topics are wage gaps and labor heterogeneity.

The students learn:

- to use microeconomic models of rational behavior of agents in the labor market for policy recommendations concerning welfare systems
- to use microeconomic models of rational behavior of agents in the labor market for policy recommendations concerning collective bargaining
- to use macroeconomic models as tools to analyze the performance of labor markets in the business cycle
- to analyze recent policy proposals related to labor markets
- to compare the specific characteristics of labor markets in different parts of the world
- to analyze how globalization affects labor market outcomes in

	developed and developing countries and transition economies
Topics	<p>1. Introduction</p> <ol style="list-style-type: none"> 1. What Labour Economics is about 2. Contemporary patterns of Labour Markets <p>2. Static Labour Supply</p> <ol style="list-style-type: none"> 1. Static Labour Supply Models 2. Empirical Results <p>3. Dynamic Labour Supply</p> <ol style="list-style-type: none"> 1. Human Capital and Educational Choice 2. Labour Supply in the Life Cycle 3. Empirical Results <p>4. Labour Demand</p> <ol style="list-style-type: none"> 1. Short-Run Labour Demand 2. Long-Run Labour Demand <p>5. Matching</p> <ol style="list-style-type: none"> 1. Equilibrium and Disequilibrium 2. Unemployment: Empirical Results <p>6. Institutions of the Labour Market</p> <ol style="list-style-type: none"> 1. The Monopoly Union Model 2. The Right to Manage Model 3. Efficiency Bargaining 4. Efficiency Wage Model <p>7. Government's role</p> <ol style="list-style-type: none"> 1. Legislation and Regulation 2. Subsidies and taxes 3. Current Topics of Labour Polic
Literature	<p>Required readings</p> <ul style="list-style-type: none"> ➤ Cahuc, P. / Zylberberg A.: Labor Economics, Cambridge/Mass. Und London (TheMIT Press) 2004 ➤ Ehrenberg, R.G. / Smith, R.S.: Modern Labor Economics, Boston et al. (Pearson, AddisonWesley), 9th ed. 2006 ➤ Elliot, R.F.: Labor Economics: A Comparative Text, McGraw-Hill

1991

- Hendricks, Kahn: Efficiency Wages, Monopoly Unions and Efficient Bargaining, *Economic Journal*, 101(408), 1149-62, 1991
- Layard, R., Nickell, S.: Is Unemployment Lower If Unions Bargain Over Employment? *Quarterly Journal of Economics* 105(2), 773-787, 1990
- Robbins, P.: A Comparison of the Labor Supply Findings from the Four Negative Income Tax Experiments, *Journal of Human Resources*, 567-583, 1985
- Siebert, H.: Labor Market Rigidities: At the Root of Unemployment in Europe, *Journal of Economic Perspectives*, Vol. 11, Number 3, pp. 37-54, 1997

Additional readings

- Baumann, F., Stähler, N.: Financing Unemployment Benefits: Dismissal versus Employment Taxes, *Labour* 20(3), 2006, 433-451.
- Berg, G. L. / Ours, G.V.: Unemployment Dynamics and Duration Dependence, *Economic Journal*, 432-443, 1993
- Booth, Alison L. and Monojit Chatterji (1995), Union Membership and Wage Bargaining when Membership is not Compulsory, *The Economic Journal* 105, 345-360.
- Cahuc, P., Le Barbanchon. T.: Labor Market Policy Evaluation in Equilibrium: Some Lessons of the Job Search and Matching Model IZA Discussion Paper No. 3687, 2008.
- Filer, R., Hamermesh, D., Rees, A.: *The Economics of Work and Pay*, 6th edition, New York: Harper Collins 1998
- Fonseca, Raquel, Lopez-Garcia, Paloma and Christopher A. Pissarides (2001), Entrepreneurship, Start-up Costs and Employment, *European Economic Review* 45, 692-705.
- Freeman, R.: Demand for Education /in Ashenfelter, O. and Layard P.R.G. (eds.) *Handbook of Labor Economics*, Vol.1 (Amsterdam: North Holland) 1986
- Goerke, Laszlo and Markus Pannenberg (2004), Norm-Based Trade Union Membership: Evidence for Germany, *German Economic Review* 5(4), 481-504.
- Hamermesh, D.: *Labor Demand*. Princeton: Princeton University Press 1993
- Kitazawa, Y., Ohta, M.: Testing the Shirking Version of the Efficiency Wage Model in Japanese Electric-Machinery Firms: A

	<p>Panel Data Approach Applied Economics Letters, 2002, vol. 9, issue 5, pages 335-38, 2002</p> <ul style="list-style-type: none"> ➤ Killingsworth, M. R.: Labor Supply: Cambridge University Press 1983 ➤ Nickell, S.: Unemployment and Labor Market Rigidities: Europe versus North America, Journal of Economic Perspectives, Vol. 11, 55-74, 1997 ➤ Oi, W. Y.: Labor as a Quasi-Fixed Factor, Journal of Political Economy, Vol. 70, No. 6, 538-555, 1962 ➤ Rees, A.: The Economics of Trade Unions, University of Chicago Press 1989 ➤ Pencavel, J.: Labor Supply of Men: A Survey /in Ashenfelter, O. and Layard P.R.G. (eds.) Handbook of Labor Economics, Vol.1 (Amsterdam: North Holland) 1986 ➤ Pencavel, J.: How Successful have trade Unions Been? A Utility-Based Indicator of Union Well-Being, IZS Discussion Paper No. 3660, 2008. ➤ Pissarides, C.A.: Equilibrium Unemployment Theory, 2. ed., Cambridge, Mass. and London: The MIT Press, 2000. ➤ Shapiro, C., Stiglitz, E. J.: 'Equilibrium Unemployment as a Worker-Discipline Device', American Economic Review, Vol 74, pp 433-444, 1984 ➤ Svejnar, J.: Labor Markets in the Transitional Central and Eastern European Economies /in Ashenfelter, O. and D.Card (eds.) Handbook of Labor Economics, Vol.3B (Amsterdam: North Holland) 1999 ➤ Topel, R.: Specific Capital, Mobility and Wages: Wages Rise with Seniority, Journal of Political Economy, Vol.99, No.1, pp.145-76, 1991
Teaching Methods	<ul style="list-style-type: none"> • The material is presented through lectures, examples, readings, students' presentations and problems • Discussion
Grading	<ul style="list-style-type: none"> ➤ Interactive revision at the beginning of each course ➤ Questions during the course ➤ Preparation of presentations (Summary) ➤ Case studies (20 % of the grade) ➤ Final exam (80% of the grade)

Language of Instruction

English