

# ECO339Y ECONOMICS OF LABOUR

University of Toronto  
2011-2012

**Instructors:** *First Semester*

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*Second Semester*

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**Teaching Assistants:** TBA

**Course Objectives:** The objective of this course is to use the tools from microeconomic theory and statistics to analyze peoples' actions and interactions in the labour market, as well as the public policies that affect them. We investigate a wide variety of actions ranging from the decision to work or employ another person, through the decision to join a union, to the decision to discriminate against a person, or group of people. The public policies studied include (among others) programs to address poverty, regulate immigration, and promote the employment and wages of women and ethnic minorities. Throughout the course there is an emphasis on both theory and evidence. At its conclusion, you should be familiar with the broad empirical facts of the Canadian labour market, and have an understanding of the tools economists use to evaluate policy.

**Prerequisites:** *Intermediate Micro:* [ECO200Y1/ECO204Y1/ECO206Y1](#);  
*Statistics:* [ECO220Y1/ECO227Y1/\(STA247H1,STA248H1\)/](#)  
[\(STA250H1,STA255H1\)/\(STA257H1,STA261H1\)](#)

**Exclusion:** [ECO239Y1](#), ECO361Y5

The Department of Economics checks prerequisites in all economics courses, and students who do not have them will be removed from the course. Details on course prerequisites are available at:

[http://www.artsandscience.utoronto.ca/ofr/calendar/crs\\_eco.htm](http://www.artsandscience.utoronto.ca/ofr/calendar/crs_eco.htm)

Students who wish to use a course completed at another institution or UTSC for prerequisite purposes must submit an official transcript from that institution to Ms. Robbie Innes (undergraduate Administrator) at the Department of Economics prior to enrolling.

This course draws heavily on the material covered in ECO200Y/204Y/206Y and ECO220Y/227Y. Individuals who received grades of less than C- in these two courses will likely need to spend a considerable amount of time throughout the course reviewing this material.

**Time and Place:** Tuesdays: 11:00am to 1:00pm, MP203  
Fridays: 10:00am to 11:00am, MP102

We will make extensive use of the time slots on both days.

Lectures are typically two hours per week in the Tuesday timeslot. The Friday time slot is used for a variety of purposes, including: extra lectures, reviewing answers to problem set questions, discussing term tests, and for preparation for the term paper (please see below).

**Email:** Due to the amount of spam in circulation, email is not a reliable method of contacting the instructor. There are also serious limitations to how useful email can be to address questions in labour economics: If the response requires more than one sentence, email is not the appropriate medium for discussion of course materials. In conformance with university policy, students are advised to ONLY use their utoronto email addresses. While we endeavor to respond to emails within 24 hours (except on weekends), if you do not get a response to your email, please contact the instructor after class or in office hours. Please also note that it is not appropriate to request marks, or the solutions to problem set or midterm questions by email.

**Announcements:** Copies of the syllabus, class announcements and other course material can be found on the course's Blackboard site. It is expected that students pay attention to notices and announcements posted there.

**Required Texts:** Benjamin, D., Gunderson, M. Lemieux, T. and C. Riddell, *Labour Market Economics*, Toronto: McGraw-Hill Ryerson, 2007 (6th edition). (BGLR)  
  
"An Overview of the Canadian Labour Market" (available on the Blackboard site).

**Optional Texts:** Gray, D., Study Guide for use with *Labour Market Economics*, Toronto: McGraw-Hill Ryerson, 2002

**Evaluation:** The course grade is based on the following term work, described in further detail below:

- 1) Two Midterm Tests in the first (Fall) semester, worth a total of 50%;
- 2) A Term Paper in the second (Winter) semester, worth 25%;
- 3) A Final Exam in the normal exam period, worth 25%.

**Practice Questions:** Problem sets will be distributed throughout both semesters. The questions come from the textbook, and previous tests and exams. While these questions will not be collected for grading, you are strongly encouraged to complete them, as they help you prepare for the tests and final exam. Solutions to the problem sets will

periodically be discussed in Friday 10-11 time slot, but will not otherwise be posted. You may also find the questions from the Study Guide helpful in preparing for the tests and exams, and learning the material more generally.

**First Term:**

There will be two term tests worth 25% of your final grade each.

**Midterm Test 1:** Tuesday, October 18<sup>th</sup>, 2011 (in class)

**Midterm Test 2:** Tuesday, December 6<sup>th</sup>, 2011 (in class)

Except to the extent that the models throughout the course are related, these tests are **not cumulative**: They focus on material covered since the last midterm.

**All requests to re-read a test must be received within ONE WEEK following the date the test was returned in class.** Please submit your requests in writing, and remember that the entire test will be re-graded.

**IF YOU MISS A MIDTERM READ THE FOLLOWING VERY CAREFULLY:**

If you are sick for a midterm you will need a medical certificate **documenting that you were unable to attend class on the relevant date. We will not accept notes that do not specify that you were sick on the specific date of the missed test.** The certificate must also comply with the following rules:

- We will only accept original notes, ideally a completed *University of Toronto Medical Certificate*;
- Notes must be submitted in person: scanned notes, or emails of notes will NOT be accepted;
- The form must be completed by a qualified medical doctor (e.g., NOT an acupuncturist, chiropractor, or other health care professional).
- The doctor's OHIP registration number must be provided.

You must **submit the doctor's note within ONE WEEK of the midterm. There are no exceptions to this rule:** Notes submitted after this deadline will not be accepted. **Students who fail to comply with these rules will receive a grade of zero in the midterm.**

For students granted accommodation for a missed test, the weight of the missed test will be transferred to a "make up" test, covering **all material from the first semester** to be held on **Friday, January 13, 2012, 9:00am-11:00am** in GE 106, 150 St. George St. If you are sick for both midterms, the make up test will be worth 50%. You should confirm that your commitments in other courses do not conflict with the date and time of the make-up exam. No accommodation will be provided for the make-up test. This means that no sick notes will be accepted for the make-up test, nor will a conflicting commitment in another course be accepted. Your continued enrollment in the course indicates your acceptance of these terms for the make up test. **As per University regulations there is no make up test for missing the make up. Students who miss their make-up test will receive a grade of zero for the missed term work.**

**Second Term:**

There are two components to the course work in the second semester:

**Term Paper**, 25% (see details below)

**Final Exam**, 25%

Given the cumulative nature of the subject matter, in principle, the final exam covers the entire year. However, the focus will be on material covered in the second semester. If you miss the final exam you are governed by the Faculty's rules for missing final examinations.

**Term Paper:**

Details of the Term Paper assignment will be provided later in the course. At this point, however, we provide a sketch of the nature of the assignment, as well as the associated deadlines and ground rules.

The "final product" of the writing assignment will be a short essay of approximately 1500 words (three to five pages double spaced) applying tools and results from this course to an assigned question. For example, students may be asked to write a short essay in favour of, or opposed to, a specified policy that pertains to labour economics. The topics will be clarified later, and students will be assigned topics.

This assignment will be staged with two submissions, and an intervening peer review (aka "assessment"). The easiest way to explain this is through the timeline:

- The First Submission is due **Friday March 2, 10:00am**.
- Students will then be assigned at least one classmate's paper to read and provide constructive feedback and suggestions (using a form/rubric that we provide).

The deadline for providing this "peer assessment" is **Tuesday March 13, at 11:00am**.

- Students will then have until **Tuesday March 20<sup>th</sup> at 11:00 am** to submit the "Final Submission" that incorporates any useful suggestions or insights from the peer review process. Included in this submission will be a "one page" explanation/response to the peer review(s) received, as well as an explanation of any other revisions made between the first and second submissions.
- The final grade for the Term Paper will be based on:
  - The First Submission;
  - The Peer Assessments provided *for* other papers;
  - The Final Submission, including the "self assessment" of the explanation of the revisions to the first draft.
  - NB: Other students' assessments of the "First Submission" **do not** count towards the Term Paper grade.

There are several “rules of the game” that students should be aware of:

### **A. Plagiarism**

Plagiarism is a potentially serious problem in writing assignments. There will be more details concerning the definition of plagiarism, advice on how to avoid it, and the associated penalties when we discuss the assignment in more detail. The term paper must be submitted for review through [www.turnitin.com](http://www.turnitin.com). Instructions will be provided along with the details to the assignment.

It is important to underscore that the Department of Economics prosecutes all cases of plagiarism vigorously. This includes “unintentional” plagiarism. Ignorance of the rules of plagiarism is specifically excluded as a defence.

#### **University disclaimer concerning Turnitin.com:**

*"Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site"*

### **B. Extensions**

Note that **no extension will be granted** due to illness, computer problems, or any other excuse, as ample time will have been provided to complete the project. If a student leaves the paper until the last week (for example), and something happens, the student bears all risk of adverse productivity shocks.

### **C. Late Penalties**

This project entails peer review and cooperation with the entire class. There is no tolerance for failure to submit work on time. Late penalties will be specified in detail in the second semester, but a basic outline is:

- i. First Submissions submitted after 10:00am on March 2<sup>nd</sup> will be considered late. Late “First Submissions” will not be accepted, and students will receive a grade of zero for this, **and** the Peer Assessment part of the term paper grade.
- ii. Late Peer Assessments will not be graded. Students who miss the deadline of 11:00 am March 13<sup>th</sup> will receive zero for the peer assessment component of the grade,
- iii. For Final Submissions, a late penalty of 10 percentage points (out of 100) per calendar day will be applied, starting at the 11:00am deadline: papers submitted between 0 and 24 hours late will receive a 10% penalty, between 24 and 48 hours a 20% penalty, and so on. No papers will be accepted after 11:00am March 27<sup>th</sup>, and a grade of zero will be awarded to such papers.

**Planned Coverage: First Term**

- 1) The Canadian Labour Market (1 lecture)
  - a) BGLR Chapter 1.
  - b) “An Overview of the Canadian Labour Market”
- 2) Review of Consumer Theory (1-2 lectures)
- 3) Labour Supply (4 lectures)
  - a) The Labour Market Decision: BGLR Chapter 2
  - b) The Effects of Public Policy on Labour Supply: BGLR Chapter 3
  - c) Life Cycle Labour Supply: BLGR Chapter
- 4) Labour Demand (4 lectures)
  - a) Demand in Competitive Markets:
    - i) BGLR Chapter 5, Chapter 7, p.206-217.
    - ii) “Substitution and Output Effects” (handout).
  - b) Non-wage Benefits and Quasi Fixed Costs: BGLR Chapter 6
- 5) Equilibrium (1-2 lectures)
  - a) Equilibrium under Different Market Structures: BGLR Chapter 7

**Second Term**

- 6) Wages Across Markets and Compensating differentials (1-2 lectures)
  - a) BGLR, Chapter 8
- 7) Human Capital and Education (2-3 lectures)
  - a) BGLR, Chapter 9
- 8) Discrimination (2 lectures)
  - a) BGLR, Chapter 12
- 9) Immigration and the Labour Market (2 lectures)
  - a) BGLR, Chapter 11
- 10) Optimal Compensation and Internal Labour Markets (2 lectures)
  - a) BGLR, Chapter 13
- 11) Unions (2 lectures)
  - a) BGLR, Chapters 14, 15, and 16