
**ECO 339Y1
Economics of Labour**

**University of Toronto
Department of Economics**

2012-2013

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 someone, the decision to join a union, and even 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.

Instructors

First Semester

Instructor: Professor Frank Reid
Email: frank.reid@utoronto.ca
Telephone: 416-978-5691
Office hours: Thursdays, 5:10 to 6:00pm

Office: Centre for Industrial Relations and Human Resources
121 St. George Street, #203

Second Semester

Instructor: Professor Dwayne Benjamin
Email: dwayne.benjamin@utoronto.ca
Office hours: Tuesdays, 3:30 to 4:30pm ("drop in")
Tuesdays, 4:30 to 5:30 pm (by appointment only)
Appointments can easily be made through: <https://my.timedriver.com/TGNTM>

Office: Department of Economics
150 St. George Street, #168

Teaching Assistant: TBA

Prerequisites

Students must have the following prerequisites, as listed in the Calendar, to take this course:

Intermediate Microeconomics: 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#ECO339Y1

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/ECO204Y/ECO206Y and ECO220Y/ECO227Y. Individuals who received grades of less than C- in these 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, MP103 (Fall), LM159 (Winter)
Fridays: 10:00am to 11:00am, LM159 (both semesters)

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

Email Policy

Email can be a useful tool in facilitating communication between faculty and students, but there are 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. If it takes more, class time or office hours are the more appropriate venue;
- We will never answer emails that request information that can be found on the website or the syllabus;
- In conformance with university policy, students are advised to ONLY use their utoronto email addresses.
- Always identify yourself in your email. You should include “ECO339Y” and a brief statement of the subject matter in the subject heading. Please do not send attachments of any kind, and never use email to submit term work.
- 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.

Course Website

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.

Outlines of the lectures (slides) will usually be posted on the course website prior to the lecture.

Readings

The required course textbook is:

Benjamin, D., Gunderson, M. Lemieux, T. and C. Riddell, *Labour Market Economics*, Toronto: McGraw-Hill Ryerson, 2012 (7th edition). (BGLR)

Additional required and optional readings will be announced in class, and made available through the course website. Such readings include working papers, journal articles, and supplementary notes.

Evaluation

Overview

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

1. Two Mid-Term Tests in the first (Fall) Semester, worth a total of 50%;
2. A Term Paper in the second (Winter) semester, worth 20%;
3. Class Participation (in the second semester), worth 5%;
4. A Final Exam in the normal exam period, worth 25%

Practice Questions

As in other economics courses, the only way to learn labour economics is to *do* labour economics. Students are therefore encouraged to do problems at the end of the textbook chapters, or in the associated study guide. A selection of such questions may be also be recommended or packaged into problem sets (especially in the second semester). While these questions (assigned or not) 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 Semester Professor Frank Reid

Evaluation

The grade for term work in the first semester is based on the following:

Task	Weight	Due Date
Test #1	25%	Tuesday, Oct. 23, 2012 (in class)
Test #2	25%	Tuesday, Dec. 4, 2012 (in class)
Fall Makeup Test	See below	Friday, Jan. 11, 2013 (TBA)
Fall Penalty Test	See below	Friday, Jan 18, 2013 (TBA)

- **Test 1** (given in Week 7) covers Weeks 1 to 6 of the Reading List
- **Test 2** (given in Week 12) covers Weeks 6 to 11 of the Reading List. (Note: Week 6 is included on both tests).

Missed Tests

- A student who misses *either* Test #1 *or* Test #2 for whatever reason (***no medical note is required***) must write the **Fall Makeup Test**. The Fall Makeup Test is ***NOT*** available to students who wrote both Tests #1 and Test #2. The Fall Makeup Test covers material from the entire Fall Semester. The grade from the Fall Make-up Test will count in place of either Test #1 or Test #2, whichever test was missed – as long as only one test was missed.
- If a student misses ***BOTH*** Test #1 and Test #2 for whatever reason, the student must write the Fall Makeup Test ***and*** the **Fall Penalty Test**. Like the Fall Makeup Test, the Fall Penalty Test covers the entire Fall semester material. The lower of the two grades (i.e., minimum (Fall Makeup Test, Fall Penalty Test)) counts instead of both missed tests. In other words, the Fall Penalty Test counts only if it lowers your grade.
- A student who misses one Fall Test ***and*** the Fall Make-up will write the Fall Penalty Test. If the grade on the Penalty Test is lower or equal to the Fall Test that was written, then the Penalty Test will count the full 50% (i.e., for both tests). If the grade on the Penalty Test is higher than the Fall Test that was written, then the Penalty Test will not count and the Fall Test will count the full 50%.
- In accordance with university policy, ***No medical notes are accepted for missing the Fall Makeup Test or the Fall Penalty Test***. A student who misses both Fall Tests and the Fall Makeup Test will receive a mark of zero for the Makeup Test and is advised to drop the course. Similarly, a student who misses the Fall Penalty Test will receive a mark of zero for that test and is advised to drop the course.

Bottom Line:

- All students must write two tests. Ideally, barring illness, students should write Test #1 and Test #2;
- The **Fall Make Up Test** is available for students who miss one of the two term tests;
- The **Fall Penalty Test** is required for students who miss both regular tests, or one term test and the Fall Makeup Test;
- No accommodation is provided for students who miss more than two tests, as explained in the rules above.

Appeal Procedure (for Term Tests)

Students who have concerns about the grading of their tests should follow this procedure:

- Step 1:** All requests for remarking must be made in writing. Students must compose a statement indicating which questions they would like reviewed, and why the mark that they received does not reflect the answer. They must explain in detail why they should have a higher mark, and should refer to course texts, lecture notes and/or the test answer key.
- Step 2:** This request must be submitted in person (not by email) to the TA during the TA's normal office hours. This submission must occur within two weeks of the date on which the tests are returned to the class. If there is an addition error, this can be dealt with quickly, but should follow the same procedure.
- Step 3:** The TA will review the students' statement, and re-read the student's test. The TA may refuse to review tests at his/her discretion if this written statement is not provided.
- Step 4:** Once reviewed, the TA will sign and date the test paper and appeal, and return it to the student. TAs will indicate what changes, if any, were made, and which questions were re-read. The TA has the right to review the grade of the entire exam, not just the requested re-read, and grades may actually go down.
- Step 5:** If you are not satisfied with the decision of the TA, you may repeat this procedure with Professor Reid. This must be completed within two weeks of the re-read test being returned by the TA.

READING LIST & FALL COURSE SCHEDULE

Week 1. INTRODUCTION

- BGLR Chap 1 “ Introduction to Labour Market Economics”

Week 2. COMPETITIVE LABOUR MARKETS: INCIDENCE OF PAYROLL TAXES

- BGLR Chap 7 “ Wages and Employment in a Single Labour Market” pages 197-201 & Exhibit 7.2, page 208 only.

Week 3. LABOUR SUPPLY: INCOME-LEISURE CHOICE MODEL

- BGLR Chap 2 “ The Theory of Labour Supply” pages 31-60 only

Week 4. LABOUR SUPPLY: WORKSHARING & OVERTIME

- BGLR Chap 2” “Extensions and Applications” Pages 61-69
- BGLR Chap 6 “ Worksharing and Job Creation” pages 183-188 only

Week 5. WORK INCENTIVE EFFECTS OF INCOME TAX AND INCOME SUPPORTS

- BGLR Chap 3 “ Labour Supply and Public Policy”

Week 6. FERTILITY, CHILDBEARING AND MANDATORY RETIREMENT

- BGLR Chap 4 “Labour Supply over the Life Cycle”
- BGLR Chap 13 pages 400-411 “Deferred Wages” and “Mandatory Retirement”

Week 7. TEST 1

Week 8. DEMAND FOR LABOUR

- BGLR Chap 5 “ Demand for Labour in Competitive Markets” pages 140-158 only

Week 9. FREE TRADE AND GLOBALIZATION

- BGLR Chap 5 “ Demand for Labour in Competitive Markets” pages 158-169 only

Week 10. MONOPSONY IN THE LABOUR MARKET & MINIMUM WAGES

- BGLR Chap 7 “ Wage and Employment in a Single Labour Market” pages 202-218 only

Week 11. BENEFITS AND QUASI-FIXED COSTS

- BGLR Chap 6 “ Labour Demand, Nonwage Benefits, and Quasi-Fixed Costs” pages 173-182 only
- Hewitt Associates (2005) *Flex-ability: Employer Attitudes toward Flexible Benefits*, Toronto: Hewitt Associates, pages 1-5 & 10-12.

Week 12. TEST 2

Second Semester Professor Dwayne Benjamin

Evaluation

The grade for term work in the second semester is based on the following:

Task	Weight	Due Date (2013)
Term Paper	20%	<ul style="list-style-type: none">• First submission, Friday Mar. 1• Peer Assessment, Tuesday Mar. 12• Final submission, Tuesday Mar. 19
Class Participation	5%	Every Tuesday Lecture (Second Semester)
Final Exam	25%	Faculty Final Examination Period

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 1,000 words (about four pages double spaced) applying tools and results from this course to an assigned question. The topic will be assigned at the beginning of January. The assignment will be staged with two submissions, and an intervening peer assessment. The easiest way to explain this is through the timeline:

- The First Submission is due **Friday March 1, 2013, 10:00am**.
- Students will then be assigned three classmates’ papers 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 12, 2013, at 11:00am**.

- Students will then have until **Tuesday March 19, 2013 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 short reflection on the peer reviews 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.**

We will be using the software *PeerScholar* for the implementation of this assignment. The entire exercise is conducted electronically (online).

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. 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.

- First Submissions submitted after 10:00am on March 1 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.
- Late Peer Assessments will not be graded. Students who miss the deadline of 11:00 am March 12 will receive zero for the peer assessment component of the grade,
- 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 on March 19: 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 26th, and a grade of zero will be awarded to such papers.

D. Appeal Procedure

If after receiving your graded term paper assignment you believe that there is a major error in grading, the following procedure will apply:

- Your request must be in writing, with a detailed explanation. The explanation must go beyond “I think I deserve a higher grade.” With direct reference to your paper and the grading rubric, you must explain why your score should be higher. Appeals must be submitted by email to me no

later than one week after the grades are released. The specific deadline will be announced on the portal when the assignments are graded.

- The TAs will be instructed to re-grade the entire project: Grades can easily go down.

Class Participation

The class participation grade is based entirely on the submission of short writing assignments each week during the second semester. These assignments, sometimes called “One Minute Papers,” require students to provide short written answers to questions during class time. These “tests” will be given at some point during each Tuesday lecture time in the second semester, and will be described in more detail in the second semester. The in-class tests begin the first Tuesday class, January 8th, 2013.

- We will collect the “tests” in-class each week.
- The “tests” will be graded very coarsely: zero points will be awarded to students who do not hand in a “test” in class (no other way of submitting tests is accepted).
- The TEN best scores for a student will count, and form the basis of the class participation grade. This means that a student can miss two tests without penalty (at least in terms of the class participation grade).
- Medical notes will NOT be accepted for missed tests or lectures: The accommodation for missed lectures is accounted for entirely by the requirement of only ten tests (out of 12 weeks lectures).

Final Exam

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

Problem Sets

Problem Sets will be assigned regularly. They will not be graded, but will be taken up (partially) during tutorial. Questions like those from the problem sets help students better understand the course material, also prepare students for the final exam.

READING LIST & WINTER COURSE SCHEDULE (*Tentative and Approximate*)

Additional readings (all available through the portal) will be added in the second semester.

Week 1. WAGES ACROSS MARKETS

- BGLR Chap 8 “Compensating Wage Differentials”

Week 2. HUMAN CAPITAL I

- BGLR Chap 9 “Human Capital Theory: Applications to Education and Training”

Week 3. HUMAN CAPITAL II

- BGLR Chap 9 “Human Capital Theory: Applications to Education and Training”
- BGLR (Sixth Edition), pages 274-280 (“Addressing Ability Bias”), available through the portal.

Week 4. IMMIGRATION I

- BGLR Chap 11 “The Economics of Immigration”

Week 5. IMMIGRATION II

- BGLR Chap 11 “The Economics of Immigration”

Week 6. DISCRIMINATION I

- BGLR Chap 12 “Discrimination and Male-Female Earnings Differentials”

Reading Week: February 18-22 (No Classes)

Week 7. DISCRIMINATION II

- BGLR Chap 12 “Discrimination and Male-Female Earnings Differentials”
- *First Submission of Term Paper due Friday March 1, 10:00am.*

Week 8. OPTIMAL COMPENSATION SYSTEMS

- BGLR Chap 13 “Optimal Compensation Systems, Deferred Compensation, and Mandatory Retirement”

Week 9. UNIONS I

- BGLR Chap 14 “Unions and Collective Bargaining”
- BGLR (Sixth Edition), pages 466-471 (“Solutions to the Bargaining Problem”), available through the portal.
- *Peer Assessments Due, Tuesday March 12th, 11:00am.*

Week 10. UNIONS II

- BGLR Chap 15 “Union Impact on Wage and Non-wage Outcomes”
- *Final Submissions of Term Paper due Tuesday March 19th, 11:00am.*

Week 11. UNEMPLOYMENT I

- BGLR Chap 16 “Unemployment: Meaning, Measurement, and Canada’s Experience”

Week 12. UNEMPLOYMENT II

- BGLR Chap 17 “Unemployment: Causes and Consequences”