

**Economics of Labour
ECO 339Y1 2014-2015**

**University of Toronto
Department of Economics**

Course Schedule

Tuesday 11am-1pm Room: LM 161
Friday 10am-11am Room: LM 161

Course Instructors

Maripier Isabelle

Teaching sections: 1 and 3
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Max Gluskin House, 150 St George street
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Teaching sections: 2 and 4
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Teaching Assistants

Marc-Antoine Schmidt
Adam Waino Miettinen

Course Overview

The objective of this course is to use the tools from microeconomic theory and statistics to analyze people's actions and interactions in the labour market, as well as the public policies that affect them. We investigate a wide variety of issues ranging from the choice to work or employ someone, the determinants of wages among workers and firms, the role and impact of unions and immigration in the labour market, the education decisions of individuals, and the impact of social interactions in the labour market. We also study the impact of different public policies such as programs to address poverty, regulate immigration, and promote the employment and wages of women and ethnic minorities.

Throughout the course, the students will develop their ability to link the theories presented in class to the empirical evidence from the Canadian labour market. At its conclusion, they should be familiar with the broad empirical facts of the Canadian labour market, and have an understanding of the tools economists use to evaluate policies.

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)

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.

Readings

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.

Email policy

When sending an email to a course instructor, please consider the following:

- 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;
- Emails requesting information that can be found on the website or the syllabus will not be answered;
- In conformance with university policy, students are advised to ONLY use @mail.utoronto.ca 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 (see below for submission of assignments);
- While we endeavour 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 Evaluation

The evaluation for the course is divided in two in-class, closed books exams, and three written assignments to be handed in throughout the year.

Exams: Fall Term (30%) December Exam Period (2 hours)
 Winter Term (25%) April Exam Period (2 hours)

Written assignment: Assignment 1 (10%) Due October 21, 2014
 Assignment 2 (10%) Due November 18, 2014
 Winter Term Paper (25%) Due March 20, 2015

Exams: The examinations will test the students' understanding of the concepts and models presented and their capacity to relate them to the empirical content discussed in class and covered in the associated readings. The December exam will cover the material from sections 1 and 2. In principle, the April exam covers the entire year. However, the focus will be on material covered in the second semester (sections 3 and 4).

Written Assignments: The written assignments will evaluate the students' capacity to apply the theoretical concepts presented in class to labour market issues and policies discussed in the public sphere.

These assignments will consist of two 1-2 pages analyses of a (provided) newspaper article discussing a labour market-related issue in the Canadian economy. The articles will be assigned 2 weeks prior to the due date, and students will submit their work using turnitin.com. The University disclaimer concerning turnitin.com is included in the appendix.

Term Paper: The term paper will be assigned in early January, and due on March 24. It consists in a short essay (approximately 1,000 words) in which students will be asked to tie together empirical evidence and the notions covered in the course, on a topic of their choice.

Submission timeline:

Optional: Students may submit a proposal for review by one of the course instructors. This proposal must be submitted (electronically) by Friday **February 6th**, 10:00am. Students who submit substantive proposals by this deadline will receive a bonus of 5% on their term paper grade.

The first submission of the paper is due on **February 27, 2015, 10:00am**. At this stage, the essay should be in its final version.

Each student will then be assigned three classmates' essays, for which he will be asked to provide constructive feedback and suggestions (using a pre-formatted form). This process will be anonymous and peer reviewers will be randomly assigned. The feedback will have to be submitted by **Tuesday March 10, 2015, at 11:00am**.

Students will proceed to the final submission (using turnitin.com) of their paper by **March 20, 2015, at 10:00am**, after having incorporated useful suggestions received from their peer reviewers. This submission will include a short reflection on the modifications made between the first and second submissions of their work. All steps (including the peer assessment) will be part of the evaluation process, but the grading will be independent of the nature of the feedback provided by peers.

Course Structure

The course is divided into four sections of six weeks. Each section, although addressing an independent set of notions, will build on the concepts seen since the beginning of the academic year.

Students are expected to actively take notes and participate in the lectures. Some handouts will be made available through Blackboard, but they should not be considered as substitutes for class notes.

Friday sessions will be dedicated to either lectures or tutorials. The tutorial sessions will be conducted by the course TA, who will provide some elements of answers to the problem sets assigned periodically. These solutions will not be posted online. The problem sets will not be graded, but are a critical part of the students' preparation for the exams.

* The course schedule is subject to slight modifications or adjustments as the year passes. However, the timing and length of the four sections will not be altered, nor will the examination schedule.

Section 1: Static Labour Supply and Labour Force Attachment (Sept 8 - Oct 14)

1.1: Theoretical foundations of the labour supply (BGLR Chapters 1-2)

- Review of consumer theory and equivalence in the labour market
- The worker's problem and decisions at the intensive and extensive margins
- Comparative statics: The income and substitutions effects

1.2: Employment decisions and Piece-wise linear budget sets (BGLR Chapter 2)

- Part-time and Full-time employment, over and under employment
- Changes to the budget sets: overtime, moonlighting, alternative types of contracts

1.3: The impact of public policies on labour supply decisions (BGLR Chapter 3)

- Wage subsidies, EITC, negative income taxes
- Government programs and fixed costs to working
- Trends in the Canadian labour market.

Section 2: Dynamic Labour Supply and Labour Demand (Oct 21 - Dec 2)

2.1: Dynamic life cycle labour supply (BGLR Chapter 4)

2.2: Labour demand (BGLR Chapters 5 and 6)

- Demand in competitive markets
- Non-wage benefits, quasi fixed costs

2.3: Introduction to notions of equilibrium (BGLR Chapter 7)

Section 3: Heterogeneity in workers and wages (Jan 6- Feb 10)

3.1: Equilibrium, Market structure and minimum wage policies (BGLR Chapter 7)

- Monopolies and monopsonies in a labour market context
- Minimum wage and its consequences on employment and wages
 - In a competitive labour market
 - Under a monopsony

3.2: Heterogeneity in wages: Sources and estimation (BGLR Chapters 8, 9 and 12)

- Wage equations: the regression framework and the Wald estimator
- Human capital accumulation, marginal productivity of workers and returns to education
- Work amenities and the compensating differentials
- Discrimination in the labour market and resulting wage gaps

Section 4: Interactions in the labour market (Feb 24 - March 30)

4.1: Immigration (BGLR Chapter 11)

- Impact on wages
- Economic assimilation
- Social interactions and enclaves

4.2: Asymmetric information and optimal compensation schemes (BGLR Chapter 13)

4.3: Unions (BGLR Chapters 14 and 15)

4.4: Unemployment and macro models (BGLR Chapters 16 and 17)

Appendix

University of Toronto 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”

Appeal Procedure

Students who would like to ask for a revision of a grade, for an exam or a written assignment, should follow this procedure:

- Submit a written request clearly specifying the reasons for which they think their grade should be revised. Doing so, they should refer to class notes, elements of the textbook or to the exam's answer key or the essay's marking scheme;
- The request has to be submitted in person during the TA's office hours, at most two weeks after the exam/assignment is returned;
- The test will be revised by the TA, who will review the grade of the entire exam/project. The grades will be adjusted accordingly, either upwards or downwards;
- If unsatisfied with the process, students will have to repeat the procedure with the course instructors, at most one week after having received the grade, as revised by the TA.

Missed tests and late submissions

A student missing any of the examinations for medical reasons (documented) can write the corresponding make-up test without any penalty, upon submission of the University of Toronto's "Verification of student illness or injury" form:

<http://www.illnessverification.utoronto.ca/getattachment/index/Verification-of-Illness-or-Injury-form-Jan-22-2013.pdf.aspx>

The form has to be submitted at most one week after the date of the missed test, otherwise, the student will receive a grade of 0 for the missed examination. In accordance with the University policy, no forms are accepted for missing a make-up test.

The two fall-term written assignments and the first deliverable for the winter term paper have to be submitted by 10:00am on the due date. Late submissions will not be graded.

Any late submission for the final deliverable of the winter term paper will be penalized by 10% for each period of 24 hours after the due date. Any submission received after 10am on March 25 will not be graded.