

ECO 339Y (Section L0101): ECONOMICS OF LABOR, 2010-11

University of Toronto, Department of Economics

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Course Description: The course is designed to provide the basic theoretical framework of labour market economics, and to apply it to the analysis of various issues of policy and practical importance. Particular attention is paid to “new economics of personnel and human resource management” including topics such as optimal compensation, executive compensation, pensions and retirement, recruiting, turnover, downsizing, and worksharing and flexible work scheduling. More general issues include: the work incentive effects of tax and transfer programs such as unemployment insurance, welfare, wage subsidies, disability payments, workers' compensation and childcare subsidies; household production function theory and the economics of fertility and family formation and volunteering; determinants of the labour force participation decision including the retirement decision and the effect of pensions and mandatory retirement; changing patterns of hours of work, overtime, moonlighting and flexitime; the impact of minimum wages, unions, globalization, free trade, industrial restructuring, privatization, de-regulation; fringe benefits; non-standard employment and the changing nature of work; the economic returns to education and training; the causes and consequences of immigration and the assimilation of immigrants; public-private sector wage differences; the impact of health and safety regulation; gender discrimination and pay and employment equity; youth employment issues; and the concept of labour shortages.

Lectures and tutorials: Lectures are Wednesday 2-4. An additional hour is also scheduled from 4-5 in the same classroom, and will be held on a periodic and pre-announced basis for such functions as tutorials, make-up classes, and question sessions before tests and exams.

Prerequisites: ECO 200, 204 or 206 (micro) and ECO220 or 227 (quantitative) or Stats Dept equivalent of quantitative i.e., STA(250H,255H/257H,261H). Individuals who received grades of less than C- in these courses will likely need to spend a considerable amount of time reviewing this material. Exclusion 239.

Evaluation: 2 term tests (of 1 hour), each worth 20% of the grade, and a final worth 60%. Each term test counts only if its grade is greater than the final. This gives the opportunity to be informed of your progress but not to have a poor grade count against you should you subsequently improve. If a term test does not count, the final is re-weighted accordingly (i.e., if one test does not count then the final is re-weighted to 80%; if neither test counts, then the final is re-weighted to 100%). This gives you the opportunity to miss one or both term tests, albeit at your own risk. The final exam can cover material from the full year.

Test Dates: Test #1 Wed. October 20, 2010, during first hour (unless have to split).
Test #2 Wed. January 19, 2011, during first hour (unless have to split).
If cancelled for weather or other reason, then in following week.

Course Text: D. Benjamin, M. Gunderson T. Lemieux & C. Riddell. *Labour Market Economics: Theory, Evidence and Policy in Canada*. 6th Ed. McGraw-Hill, 2007. Readings of journal articles are designated in the outline; they will be integrated into the lectures. Study Guide is recommended. Website for text is <http://www.mcgrawhill.ca/college/benjamin>

Students eligible for and interested in OSAP work-study positions should discuss with Gunderson.

Two Rules: (1) If you miss a class, get notes from another student. (2) Questions on the nature of test and exams must be asked in class so we respond to everyone.

COURSE OUTLINE

Most articles below provide a direct link to a UTL libraries on-line data base. Another means is through the Article Finder

<http://sfx.scholarsportal.info/toronto/cgi/core/citation-linker.cgi?rft.genre=article>

For off campus link see MyAccess <http://content.library.utoronto.ca/help/faq/faq-myaccess>

1. **Are Labour Markets Unique?** - Text Preface, Chapter 1
2. **Income-Leisure Choice Theory and Supply of Labor** - Text 2 (31-52; Appendix 69-76)
3. **Labour Force Participation, Reservation Wages, Corner Solutions, Censoring, Selection Bias** - Text 2 (52-62)
4. **Hours of Work, Overtime, Moonlighting, Flextime and Worksharing** – Text 2 (62-69)
5. **Work Incentive Effects of Income Maintenance Schemes** (e.g., Welfare, Negative Income Taxes, Wage Subsidies, Unemployment Insurance, Disability Payments, Workers' Compensation, Childcare Subsidies) - Text 3
6. **Dynamic Labour Supply Over the Life Cycle** – Text 4 (113-122)
7. **Household Production Functions:Fertility, Family Formation,Volunteering** -Text 4 (123-34)

[Biddle, J. and D. Hamermesh. Sleep and the allocation of time. Journal of Political Economy 98 \(October 1990\) 922-943.](#)

[Burton, P., S. Phipps, and L. Curtis. All in the family: A simultaneous model of parenting style and child conduct. American Economic Review 92 \(May 2002\) 368-72.](#)
8. **Retirement Decisions, Pensions and Mandatory Retirement** - Text 4 (134-150)

[Gruber, J. and D. Wise. Social security and retirement: an international comparison. American Economic Review 88 \(May 1998\) 158-163.](#)
9. **Labour Demand: Marshallian Conditions, Free Trade, Restructuring, Privatization, Deregulation, International Competition and the Role of Labour Cost** - Text 5
10. **Fringe Benefits, Quasi-Fixed Costs and Worksharing** - Text 6

- 11. Wage & Employment Determination in Competitive Labour Markets** (Monopolies, Payroll Taxes) - Text 7 (202-213)

[Longley, N. Salary discrimination in the National Hockey League: the effects of discrimination. Canadian Public Policy 21 \(December 1995\) 413-420.](#)

- 12. Monopsony and Dynamic Monopsony in Labour Markets** - Text 7 (214-219)

[Ashenfelter, O., H. Farber and M. Ranson. Labor Market Monopsony. Journal of Labor Economics. 28 \(April 2010\) 203-210.](#)

- 13. Minimum Wages** – Text 7 (219-230)

[Campolieti, M., M. Gunderson and T. Fang. Minimum Wage Impacts on Employment Transitions of Youths: 1993-99, Canadian Journal of Economics. 38 \(Feb. 2005\) 81-104 .](#)

- 14. Compensating Wage Differences, Hedonic Wages: Application to Occupational Health and Safety and Workplace Risk** - Text 8

[Gunderson, M. and D. Hyatt. Do injured workers pay for reasonable accommodation? Industrial and Labor Relations Review 50 \(October 1996\) 92-104.](#)

[Hamermesh, D. and J. Biddle. Beauty and the labor market. American Economic Review 84 \(December 1994\) 1174-1193.](#)

- 15. Human Capital Theory, Screening, Signaling, Sorting and Returns to Education and Training** - Text 9

[Gill, A. and R. Michaels. Does drug use lower wages? Industrial and Labor Relations Review \(April 1992\) 419-434.](#)

[Hamermesh, D. , X. Meng and J Zhang. Dress for success: does priming pay? Labour Economics 9 \(July 2002\) 361-374.](#)

[Oreopoulos, P. The compelling effects of compulsory schooling: evidence from Canada, Canadian Journal of Economics 39 \(Feb. 2006\) 22-52.](#)

- 16. Wage Structures by Occupation, Region, Industry & Firm Size; Efficiency Wages; Deregulation** - Text 10 (295-314)

[Raff, D. and L. Summers. Did Henry Ford pay efficiency wages? Journal of Labor Economics. 5 \(October 1987\) S57-S85.](#)

- 17. Public-Private Sector Wage Differences & Impact of Arbitration** - Text 10 (314-321)

- 18. Immigration: Determinants, Assimilation, Impacts & Brain Drain** - Text 11

[Abdurrahaman, A. and M. Skuterud. Explaining the Deteriorating Earnings of Canada's Immigrants, 1966-2000. Canadian Journal of Economics. 38 \(May 2005\) 641-672.](#)

19. Discrimination and Pay & Employment Equity - Text 12

[Gunderson, M. Male-female wage differentials: How can that be? Canadian Journal of Economics 39 \(Feb. 2006\) 1-21.](#)

[Black, D. H. Makar, S. Sanders and L. Taylor. The earnings effects of sexual orientation. Industrial and Labor Relations Review 56 \(April 2003\):449-469.](#)

[Drolet, Marie. New evidence on gender pay differentials: does measurement matter? Canadian Public Policy 28 \(2002\):1-16.](#)

[Baker, M., and N. Fortin. Women's wages in women's work: A US/Canada comparison of role of unions and 'public goods' sector jobs. American Eco Review \(May 1999\) 198-203.](#)

[Goldin, C. and C. Rouse. Orchestrating impartiality: the effect of "blind" auditions on female musicians. American Economic Review. 90 \(Sept. 2000\) 715-741.](#)

[Szymanski, S. A market test for discrimination in the English professional soccer leagues. Journal of Political Economy. 108 \(June 2000\) 590-603.](#)

20. Agency Theory and Optimal Compensation Mechanism Design: Superstars, Tournaments, Executive Compensation, Team Compensation, External vs. Internal Promotions, Up-or-Out Rules (Tenure), Raiding and Offer Matching, Piece Rates Deferred Compensation and Mandatory Retirement - Text 13

[Bertrand, M., and S. Mullainathan. Agents without principals. American Economic Review 90 \(May 2000\) 203-208.](#)

[Abowd, J., and D. Kaplan. Executive compensation: six questions that need answering. Journal of Economic Perspectives 13 \(Fall 1999\) 145-163.](#)

[Kruger, Alan. The economics of real superstars: the market for rock concerts in the material world. JOLE 23 \(January 2005\) 1-30.](#)

21. Unionization: Causes and Consequences - Text 14

22. Union Impact on Wages, Fringe Benefits, Productivity and Management of Firm - Text 16

[Kuhn, P. Unions and the economy: what we know; what we should know. Canadian Journal of Economics 31 \(November 1998\) 1034-1055.](#)

23. Union Preferences, Constraints, and Efficient Contracts - Text 15 (427-454, 471-476)

24. Unemployment: Measurement, Canada-U.S. Differences, Int'l Comparisons - Text 17

25. Unemployment: Types, Job Search, Wage Rigidity, Implicit Contracts, Efficiency Wages, Insider- Outsider Models, Unemployment Insurance, Youth Unemployment - Text 18

Information for Blackboard Use

- **Logging in to your Blackboard Course Website**

Like many other courses, ECO339 uses Blackboard for its course website. To access the ECO339 website, or any other Blackboard-based course website, go to the UofT portal login page at <http://portal.utoronto.ca> and log in using your UTORid and password. Once you have logged in to the portal using your UTORid and password, look for the **My Courses** module, where you'll find the link to the ECO339 course website along with the link to all your other Blackboard-based courses.

- **Activating your UTORid and Password**

If you need information on how to activate your UTORid and set your password for the first time, please go to www.utorid.utoronto.ca. Under the "First Time Users" area, click on "activate your UTORid" (if you are new to the university) or "create your UTORid" (if you are a returning student), then follow the instructions. New students who use the link to "activate your UTORid" will find reference to a "Secret Activation Key". This was originally issued to you when you picked up your Tcard at the library. If you have lost your Secret Activation Key you can call 416-978-HELP or visit the Help Desk at the Information Commons on the ground floor of Robarts Library to be issued a new one. **The course instructor will not be able to help you with this.** 416-978-HELP and the Help Desk at the Information Commons can also answer any other questions you may have about your UTORid and password.

Email Communication with the Course Instructor

At times, the course Instructor may decide to send out important course information by email. To that end, all UofT students are required to have a valid UofT email address. You are responsible for ensuring that your UofT email address is set up AND properly entered in the ROSI system. You can do that by using the following instructions:

- To submit the information to activate your UTORid and password (see above), you will need to click the "Validate" button. Follow the instructions on the subsequent screens to receive your utoronto.ca address. Once you have your UofT email address, go to the ROSI system (www.rosi.utoronto.ca), log in and update the system with your new UofT email address.
- You can **check your UofT email** account from
 1. The UofT home page <http://www.utoronto.ca>: From the Quick Links menu on the top right, choose "my.utoronto.ca". Enter your UTORid and password, and when the Welcome page opens, click "WEBMAIL".
 2. Email software installed on your computer, for example Microsoft Outlook or Mozilla Thunderbird. Visit the Help Desk at the Information Commons or call 416-978-HELP for help with the set up.
- **Forwarding** your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that emails from your course instructor may end up in your spam or junk mail folder.
- You are responsible for:
 1. Ensuring you have a valid UofT email address that is properly entered in the ROSI system
 2. Checking your UofT email account on a regular basis.