

**ECONOMICS 2059/8041**  
**LABOUR ECONOMICS & INDUSTRIAL RELATIONS (H)**

This course supplements the Labour Economics & Industrial Relations pass course (ECON2009) by providing an additional lecture hour per week beginning in Week 3. Generally, lectures will be coordinated with the pass course covering the same topics although at greater depth. Some weeks a formal model will be worked through while other weeks an empirical paper will be summarized. The purpose here is to give an introduction to the basic theoretical models and a taste of the empirical analysis that characterizes labour economics.

This course is most appropriate for fourth year honours and graduate students. Very able undergraduates will find this course challenging but also hopefully valuable. Although there are no separate prerequisites for this course beyond what is expected for ECON2009, students are expected to have solid preparation in microeconomics and calculus and an introductory course in statistics and regression analysis. Forming study groups to go over the readings is encouraged.

Lectures will be held on Thursdays, 12-1/1.15pm, in Arndt Lecture Theatre 1 (Arndt LT1) beginning on March 12<sup>th</sup>. Most lectures will finish by 1pm but some may extend to 1.15pm.

What follows is the tentative reading list for the topics to be covered during the semester. All readings will be available at Chifley Library either in the Reserve Collection or their journal holdings. It is recommended that students skim, if not read, the material before it is discussed in lecture.

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TENTATIVE READING LIST

*Week 3: Labour Supply – Theory*

Peter Fallon and Donald Verry, The Economics of Labour Markets, Oxford: Philip Allan Publishers Ltd., 1988, Chapter 1.

*Week 4: Labour Supply – Empirics*

Fallon and Verry, Chapter 2 (esp. 64-68).

*Week 5: Estimating the Returns to Education*

Orley Ashenfelter and Alan Krueger, “Estimates of the Economic Return to Schooling from a New Sample of Twins,” American Economic Review, 84:5 (December 1994), pp. 1157-1173.

Paul Miller, Charles Mulvey, and Nick Martin, “What Do Twins Studies Reveal About the Economic Returns to Education: A Comparison of Australian and U.S. Findings,” American Economic Review, 85:3 (June 1995), pp. 586-599.

*Week 6: Dynamic Labour Demand*

S. J. Nickell, "Dynamic Models of Labour Demand," in Orley C. Ashenfelter and Richard Layard (eds.), Handbook of Labor Economics, Vol. 1, Amsterdam: North-Holland, 1986, Chapter 9 (esp. pp. 473-486).

*Week 7: Compensating Wage Differentials*

Sherwin Rosen, "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition," Journal of Political Economy, 82:1 (Jan/Feb 1974), pp. 34-55.

*Week 8: Industry Wage Differentials*

Alan B. Krueger and Lawrence H. Summers, "Efficiency Wages and the Inter-Industry Wage Structure," Econometrica, 56:2 (March 1988), pp. 259-293.

Jeff Borland and Anthony Sun, "The Determinants of Individual Wages in Australia: Competitive and Non-Competitive Influences," Australian Economic Review, 23:4 (4<sup>th</sup> Quarter/October 1990), pp. 33-44.

*Week 9: Labour Market Discrimination – Theory*

Glen G. Cain, "The Economic Analysis of Labor Market Discrimination: A Survey," Handbook of Labor Economics, Vol. 1, Chapter 13, Section 3, pp. 709-731.

*Week 10: Experience, Performance, and Earnings*

James I. Medoff and Katherine G. Abraham, "Experience, Performance, and Earnings," Quarterly Journal of Economics, 95:4 (December 1980), pp. 703-736.

*Week 11: Earnings Inequality*

Lawrence F. Katz and Kevin M. Murphy, "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," Quarterly Journal of Economics, 107:1 (February 1992), pp. 35-78.

*Week 12: Insider-Outsider Theory*

Assar Lindbeck and Dennis J. Snower, "Efficiency Wages versus Insiders and Outsiders," European Economic Review, 31:1/2 (February/March 1987), 407-416.

*Week 13: Intertemporal Substitution*

Background on Labour-Macro Literature: David M. Lillien and Robert E. Hall, "Cyclical Fluctuations in the Labor market," in Handbook of Labor Economics, Volume 2, Chapter 17, pp. 1001-1035.

Olivier Jean Blanchard and Stanley Fischer, Lectures on Macroeconomics, Cambridge, Mass: MIT Press, 1990, Chapter 7, Section 2, pp. 337-346.