

Faculty of Economic, Social and Political Sciences



ECON3440 Labour Economics

[30h] 3.5 credits

Teacher(s): Bart Cockx, Bruno Van der Linden
Language: English
Level: Third cycle

Aims

The objective of the course is to develop graduate students' abilities in acquiring a better understanding of the functioning of labour markets on the basis of the recent literature of the profession. This literature is usually formulated in terms of formal mathematical models. The lectures aim at helping the student to use and understand the intuition of these formal models as tools for the analysis of the labour market. Moreover, they endeavour to foster the students' understanding of the methodological issues involved when going from the theoretical analysis to the empirical testing of hypotheses formulated by theory.

Main themes

It is widely accepted that the labour market does not function as a standard purely competitive market. The course discusses why actual labour markets are far more complex than this convenient reference model. It advances four main channels through which the relationship between wages, employment and unemployment is affected (1) employees bargaining power (due to unionisation, turnover costs or investment); (2) risk aversion; (3) imperfect information; (4) "social norms".

Content and teaching methods

Content (not all themes are covered each year)

1. Employees bargaining power due to unionisation
2. Implicit contracts: sharing risks on the labour market
3. Imperfect information
 - 3.1. Job search
 - 3.2. Equilibrium search models
4. Employees bargaining power due to investment and turnover costs
5. Asymmetric Information
 - 5.1. Recruitment and selection of employees (adverse selection)
 - 5.2. Motivating employees (moral hazard): explicit and implicit contracts
6. Social Norms

Method

The student receives a reading list by theme and written lecture notes. The lectures consist in an oral exposition of the notes. Students are encouraged to intervene during the lectures. At the beginning of each lecture there is question time.

Other information (prerequisite, evaluation (assessment methods), course materials recommended readings, ...)**Prerequisites**

It is assumed that students have at least a basic knowledge about static labour demand and supply, perfect competition theory, compensating wage differentials and human capital theory. If not, they can find an introduction to these topics in most textbooks in labour economics. On the other hand, the student must have basic notions in mathematics, statistics and econometrics and be able to solve optimisation problem with (in)equality constraints and to perform comparative static analysis (see e.g. Chiang, A. C., 1984, 2nd ed., Fundamental Methods of Mathematical Economics, Singapore: McGraw-Hill, Part 3, Part 4 and Chapter 21. No other course of the master program is a pre-requisite.

Evaluation:

The course material of the lectures will be evaluated on the basis of a written open book exam (possibly complemented by an oral exam). Examples of exam questions will be provided and discussed beforehand. The exam aims at evaluating whether students can construct a coherent and critical argumentation of labour market issues treated in the lectures. It will also gauge whether the students understand the logic of arguments within formal economic models, focusing on intuition rather than on mathematical derivations.

Support: Lecture notes and articles

Other credits in programs

ECGE3DA/EC Diplôme d'études approfondies en économie et gestion - Master(3.5 credits)
of Arts in Economics (sciences économiques)