ECON 515 - Labour Economics
University of Victoria, Department of Economics

Location: BEC 363
Times: Monday/Thursday 1:00-2:20pm
Website: Course Spaces

Instructor: Prof. Maggie Jones (maggiejones@uvic.ca)
Office: BEC 392
Office Hours: Monday 4:30-5:30

Description
This course is an introduction into contemporary empirical and theoretical research into labour markets. You will be presented with theoretical models on a small number of topics, will be required to read journal articles and working papers, and will develop skills for dealing with microdata. A substantial portion of time will be spent understanding how to interpret empirical results and how to avoid some of the common pitfalls associated with interpreting causal relationships in Labour Economics research.

Readings
There is no required textbook for the course; however, lecture notes will draw heavily on Labour Market Economics, 8th edition, by Benjamin, Gunderson, Lemieux, and Riddell, and Labor Economics, 2nd edition, by Cahuc, Carcillo, and Zylberberg. An empirical reference you may also find useful throughout the class is Mostly Harmless Econometrics by Angrist and Pischke.

Other journal articles that we will be using as references will appear on the reading list. Mandatory readings are marked with an asterisk.

Evaluation
All components of this course will receive numerical percentage marks. The final grade you receive for the course will be derived by converting your numerical course average to a letter grade according to the numerical score equivalencies used at UVic:

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A description of each of these letter grades can be found in the Grading section of the U Vic Calendar.

The following weighting will be used to determine grades. Exceptions can be made in legitimate cases. Please discuss any extenuating circumstances with me as they arise throughout the course.

1. **Assignments (20%)**: 4 @ 5% each

2. **Critical Response Papers (20%)**: 4 @ 5% each. Critical responses can be done for any paper on the reading list marked with an asterisk (*). You must select 4 papers to respond to throughout the term. If you have a separate paper that you would like to write a response for, please clear it with me ahead of time. Each critical response paper should be approximately 500 words in length. There are two options for the type of critical response paper you write:

   (a) **Option 1 - Academic Route**: Briefly summarize the paper and then outline a research idea that stems from this paper. Acceptable research ideas must be innovative and at least tangentially connected to the paper to which you are responding.

   (b) **Option 2 - Policy Route**: Briefly summarize the paper and then outline how you could apply the insights and/or results of the paper in a potential work situation. To get you started thinking about this route, here are some examples of what some MA graduates in economics have to say about the application of labour economics to their daily jobs:

   1. As a research advisor at the Ministry of Children, Community and Social Services I make use of labour economics all the time in thinking about designing evaluations of social assistance programs and how different government benefits and transfer programs may affect individuals’ choices about work, education, and family formation.

   2. I work for a Foundation in Strategic Initiatives. I help to direct our funds in a more evidence based manner. So I am analyzing data in all sectors - housing, environment, health, arts, education, economy, etc. Labour economics is not specifically my area, but things that would apply or be of interest for our work would be related to unemployment, the working poor (i.e. unable to live on minimum wage, living wages, universal basic income, also the shift to part time or contract work instead of full time employees (gig economy).

   3. Not my job directly, but something I’ve run into is severe labour shortages in traditional resource industries (forestry, agriculture, fisheries, etc.) and processors of those resources, even in areas with relatively high unemployment such as here on the east coast. They then rely on First-To-Work programs and are constantly battling for access/cost of participation.

   4. Following my master’s degree in economics I started a job at the Conference Board of Canada doing forecasting and analysis in 2011. This was just a few years after the Great Recession and governments at all levels were still grappling with how to support the nascent economic recovery, with a keen interest in the unemployment rate and wages. Being able to understand the latest empirical findings of academic labour economists and incorporate them into my analysis was instrumental for providing
guidance to various national and provincial government departments and agencies. For example, drawing on evidence about the impact of unskilled immigration on native workers was key to thinking about the impacts of expanding the temporary foreign worker program in local labour markets. Recent advances in automation and the ongoing turmoil in global trade patterns will make it even more important for policymakers to understand the labour economics toolkit.

5. As Managing Director of Big River Analytics Ltd., I make use of the concepts and principles I learned about labour economics in two ways. The first relates to the management and growth of our firm. I research wages and non-monetary remuneration in other firms when recruiting new employees to ensure we make competitive offers and are able to keep employees. I look for projects and work opportunities to best match current and prospective employees’ skill sets because high-quality matches mean I can pay them the most and people tend to be happiest when they know they are being productive. Second, as a research firm that specializes in economics and statistics, we further specialize in labour market research. In the world of economic consulting, labour market research is favoured by governments of all sizes because programs and policies that encourage labour market participation and high-quality employee-job matches are likely to pay for themselves, and they sometimes pay a return.

6. Big River Analytics is a consulting firm that specializes in providing research and analytic capacity to benefit Indigenous peoples, organizations, and governments. We conduct research related to the labour market for a number of clients, including anything from developing custom projections of the labour supply and demand of particular occupations, to supporting First Nations Employment and Training Departments to effectively deliver and report out on their programs. As Director of Operations, having a strong understanding of labour economics allows me to work with clients and researchers to develop research plans and execute research activities in an applied setting. I use economic principles to understand the assumptions that underpin our understanding of a problem, and to develop a research strategy where output is of highest value and relevance to our clients.

3. **Term Paper (50%)**: To be written in stages
   (a) Intro/Motivation (5%): Due January 31st
   (b) Lit Review (5%): Due February 7th
   (c) Theory (5%): Due February 14th
   (d) Data Description (5%): Due February 28th
   (e) Empirical Methods (5%): Due March 2nd
   (f) Results (5%): Due March 13th
   (g) 1st Draft to Discussant (incl. conclusion): Due March 20th
   (h) Presentation (10%): March 23rd-April 2nd
   (i) Final Paper (10%): Due some time during exam period

4. **Class Participation (10%)**:  
   (a) Term paper discussion (5%): March 23rd-April 2nd
   (b) In class participation (5%) incl. project idea discussions on January 20th and 23rd
Course Outline

***Note that the outline is subject to change depending on how quickly we cover the material***

1. Labour Supply
   - Overview of the labour market
   - Neoclassical theory of labour supply
   - Empirical aspects of labour supply
   - Impact of taxes on the labour market (empirical evidence)

2. Labour Demand
   - Static Theory of Labour Demand
     - Labour demand in the short run
     - Substitution of capital for labour
     - Scale effects
   - Theory to Estimates
     - Specific functional forms for factor demands
     - Main issues and main results
   - Minimum wage and employment

3. Competitive Equilibrium and Compensating Differentials
   - Perfect competition with homogeneous workers and jobs
   - The question of tax incidence
   - The effect of a shock on labour supply
   - Compensating differentials
   - Does the hedonic wage theory really apply

4. Education
   - Basic facts
   - Human capital model
   - Signalling
   - Identifying the causal relation between education and income
   - The returns to education

5. Discrimination
   - Facts about wage and employment differences
   - Theories of discrimination
   - Measuring wage discrimination
   - Empirical results regarding discrimination

6. Collective Bargaining and Labour Unions
   - Facts about unions and collective bargaining
   - Bargaining theory
   - Models of collective bargaining for wages, employment, and investment
   - Empirical evidence regarding the consequences of collective bargaining
Course Policies

This course adheres to the Course Policies outlined in the academic calendar related to:

- Academic Concessions
- Academic Integrity (plagiarism and cheating)
- Attendance
- Grading
- Inclusivity and Diversity
- Late adds
- Late assignments
- Repeating Courses
- Review of an assigned grade
- Students with a Disability
- Term assignments and debarment from exams
- Travel Plans
- Waitlists

Course Website: Please note that the material for this course is copyrighted and is for the sole use of students registered in Economics 515. The material for this course may be downloaded for a registered student’s personal use, but shall not be distributed or disseminated to anyone other than students registered in Economics 515. Failure to abide by these conditions is a breach of copyright, and may also constitute a breach of academic integrity.

English Language Skills: English is the language of instruction at the University of Victoria; your enrolment is taken to imply that you are functionally literate. All written work must use complete sentences and be organized in a logical, coherent manner. The mark you receive will be determined by the quality of your written response as well as by the content of your answer.

Academic Integrity: Academic integrity requires commitment to the values of honesty, trust, fairness, respect, and responsibility. Students are expected to observe the same standards of scholarly integrity as their academic and professional counterparts. A student who is found to have engaged in unethical academic behaviour, including the practices described in the Policy on Academic Integrity in the University Calendar, is subject to penalty by the University. Review What is Plagiarism for the definition of plagiarism. Note: Submitted work may be checked using plagiarism detection software.

University Policy on Human Rights, Equity and Fairness: The University is committed to promoting, providing and protecting a positive, supportive and safe learning and working environment for all its members. See General University Policies.

Accessibility & Health Resources: Centre for Accessible Learning: Students with diverse learning styles and needs are welcome in this course. In particular, if you have a disability/health
consideration that may require accommodations, you are free to approach me; however, you must register with the Centre for Accessible Learning (CAL) for formal arrangements to be made. The CAL staff are available by appointment to assess specific needs, provide referrals and arrange appropriate accommodations. The sooner you let us know your needs the quicker we can assist you in achieving your learning goals in this course.

**Health Services:** University Health Services (UHS) provides a full service primary health clinic for students, and coordinates healthy student and campus initiatives.

**Counselling Services:** Counselling Services can help you make the most of your university experience. They offer free professional, confidential, inclusive support to currently registered UVic students.

**Elders’ Voices:** The Office of Indigenous Academic and Community Engagement (IACE) has the privilege of assembling a group of Elders from local communities to guide students, staff, faculty and administration in Indigenous ways of knowing and being.

**Course Experience Survey (CES):** I value your feedback on this course. Towards the end of term you will have the opportunity to complete a confidential course experience survey (CES) regarding your learning experience. The survey is vital to providing feedback to me regarding the course and my teaching, as well as to help the department improve the overall program for students in the future. When it is time for you to complete the survey, you will receive an email inviting you to do so. If you do not receive an email invitation, you can go directly to the CES log-in. You will use your UVic NetLink ID to access the survey, which can be completed on your laptop, tablet or mobile device. I will remind you nearer the time, but please be thinking about this important activity, especially the following three questions, during the course.

- What strengths did your instructor demonstrate that helped you learn in this course?
- Please provide specific suggestions as to how the instructor could have helped you learn more effectively.
- Please provide specific suggestions as to how this course could be improved.

**Electronic Devices:** In general, I discourage the use of electronics in the classroom; however, exceptions will made for students with accessibility concerns, or if you are using the device to take notes. There is mounting evidence that students learn best when they disconnect from electronic devices, but ultimately this choice is up to you. All lecture slides and notes will be posted online. As such, I do not permit photographs, videos, and voice recordings to be made of class lectures. If you object to this for reasons related to accessibility, please speak to me in office hours.