AFRICAN ECONOMIC RESEARCH CONSORTIUM

COLLABORATIVE PHD DEGREE PROGRAMME (CPP) IN ECONOMICS FOR SUB-SAHARAN AFRICA

JOINT FACILITY FOR ELECTIVES

LABOUR ECONOMICS

COURSE OUTLINE
(Revised: February, 2017)

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LABOUR ECONOMICS

1. Course objective
The primary objective of the course is to equip students with the analytical tools required for examining individual and institutional behaviour underpinning labour market phenomena and its impact on the wellbeing of society. At the end of the course the student should be able to appreciate the scope of the labour market, identify possible factors underlying labour market outcomes, and evaluate public policy impacts on labour and social outcomes.

2. Course Structure
The course will consist of two parts, Labour Economics I and Labour Economics II. Labour economics I covers the core analytical issues in the labour market while labour economics II examines the operation of the labour market and evaluation of labour market policies and institutions. The methods and techniques of labour market research will be emphasized in both parts of the course.

3. Prerequisites
The student must have a background in Labour Economics at least at the undergraduate level. In addition, the student must have covered the following core courses: Microeconomics, Macroeconomics and Quantitative Methods.

4. Grading
Final grading will be based on continuous assessment - 40%, and an end-of-semester examination - 60%. Continuous assessment will comprise of: a term paper focusing on applying African dataset to empirical methods 20%; class test 10%; and class presentation and participation 10%. The term paper will be based on a topic selected by the student or lecturer and presented before the end of the semester.

5. Recommended Readings
Labour economics is a rapidly growing field of economics. No single textbook therefore can be expected to cover all aspects of the subject. Students should follow developments in the literature by regularly consulting current publications especially journals. Nevertheless, the following “classic” reading materials should provide the student the broad scope of the theoretical and applied construction of the subject.

It should be mentioned that in selecting the references consideration has been given to the degree of accessibility of the sources to students and institutions in Africa. On-line and other electronic (website) resources are also available, which students can access, especially datasets and annual reports of international organisations such as the ILO, the IMF, the World Bank and the UNDP.
6. General Literature

6. Acemoglu, D. and Autor, D. () Lectures in Labour Economics, MIT (available @ http://economics.mit.edu/files/4689)

7. Literature on Developing Economies including Africa

3. ILO and WTO (2009), Globalization and Informal Jobs in Developing Countries, A joint study of the Internal Labour Office and the Secretariat of the World Trade Organization
4. Labour Economics, Volume 18, Supplement 1, Pages s1-s160 (December 2011) – all papers.
LIST OF MAIN TOPICS

LABOUR ECONOMICS I (60 HOURS)

1. Introduction (6 Hours)
2. Labour Supply (20 Hours)
3. Labour Demand (10 Hours)
4. Wage Determination and Wage Structures (12 Hours)
5. Investment in Human Capital: Education and Training (12 Hours)

LABOUR ECONOMICS II (60 HOURS)

1. Job Search and Information, Unemployment, Underemployment and Informal Employment (18 Hours)
2. Labour Market Institutions (12 Hours)
3. Labour Market Discrimination (10 Hours)
4. Labour Migration (12 Hours)
5. Globalization, Foreign Direct Investment and African Labour Market (8 Hours)
DETAILED COURSE OUTLINE

ECON 626: LABOUR ECONOMICS I (60 HOURS)

1. INTRODUCTION (6 HOURS)
   1.1 Concepts, Evolution and Scope of labour Economics
   1.2 Overview of Methods of Empirical Research Techniques in labour Economics

Required Readings

2. LABOUR SUPPLY (20 HOURS)
   2.1 Simple Static Model: Labour-Leisure Model
   2.2 Effects of Taxes and Transfers
   2.3 Extensions to the Simple Static Model
      2.3.1 Household Labour Supply Models
      2.3.2 Family Labour and Household Production Model
   2.4 Inter-Temporal Labour Supply Models
      2.4.1 Life Cycle Model
      2.4.2 Exogenous Wage Model
      2.4.3 Endogenous Wage Model
**Required Readings**


**Further Readings**


**Readings from African Perspective**

(i) Binzel Christine and Assaad Ragui (2011) Egyptian men working abroad: Labour supply
responses by the women left behind, Labour economics Vol. 18, pp s98-s114


3. LABOUR DEMAND (10 HOURS)

3.1 Short-run and Long-run Labour Demand

3.1.1 Competitive Models

3.1.2 Non-Competitive Models

3.2 Other Models of Labour Demand

3.3 Minimum Wage and Labour Demand

3.4 Unions Behaviour and Labour Demand

3.5 Technological Invocations and Labour Demand

3.6 Labour Demand in Developing Economies

Required Reading


Further Readings


Readings from African Perspectives


4. WAGE RATES AND WAGE STRUCTURES (12 HOURS)

4.1 Wage Rate Determination
   4.1.1 Competitive
   4.1.2 Non-Competitive Markets

4.2 Equalizing Differences

4.3 Efficiency Wage Models

4.4 Insider- Outsider Models of Wage Determination

4.5 Wage Determination within Internal Labour Market Framework
   4.5.1 Transaction Cost Approach
   4.5.2 Job Evaluation Approach

4.6 Segmented and Dual Labour Markets Models

4.7 Minimum Wage Determination

4.8 Changes in the Wage Structure
**Required Readings**


**Further Readings**


**Readings from African Perspectives**


5. INVESTMENT IN HUMAN CAPITAL: DUCATION AND TRAINING (12 HOURS)

5.1 Basic Theory of Human Capital
5.2 Human Capital and Signalling
5.3 Migration as Human Capital Investment
5.4 School Quality and Peer Group Effect
5.5 Empirical Application of Human Capital and Earnings – Earnings Function
5.6 On-the-Job Training
5.7 Current Debate on Skill Mismatch and Quality of Training in Africa

Required Readings

(ii) Acemoglu D and Autor D, Lectures in Labour economics, MIT www.economics.mit.edu/files/4689


Further Readings


**Readings from African perspective**


ECON 627: LABOUR ECONOMICS II (60 HOURS)

1. JOB SEARCH, UNEMPLOYMENT, UNDEREMPLOYMENT AND INFORMALITY (18 HOURS)
   1.1 Economics of Information
   1.2 Optimal Job Search Models
      1.2.1 Employee Search
      1.2.2 Employer Search
   1.3 Unemployment
      1.3.1 Youth and Graduate Unemployment
      1.3.2 Determinants of Incidence and Duration of Unemployment-Empirical Analysis
      1.3.3 Policies for addressing unemployment
   1.4 Underemployment
   1.5 Informality in the Labour Market
   1.6 Issues of Child Labour – Empirical Analysis and Evidence

Required Readings

Further Readings


Readings from African Perspective


2. LABOUR MARKET INSTITUTIONS (12 HOURS)

2.1 Labour Laws and Regulations
   2.1.1 Domestic Laws and International Conventions
   2.1.2 Labour Standards
   2.1.3 Employment Protection
   2.1.4 Minimum Wage Legislation
   2.1.5 Tripartism and Wage Negotiation

2.2 Trade Unions
   2.2.1 Theories of Union Behavior
   2.2.2 Strike Activity and Bargaining Power
   2.2.3 Empirical Analysis of Union Behavior and the Labour Market
**Required Readings**


**Further Readings**


Readings from African Perspective


(x) Mwebaze T. ‘Extent and Determinants of Child Labour in Uganda’ AERC working paper RP-167


3. LABOUR MARKET DISCRIMINATION (10 HOURS)

3.1 Types and Forms of Discrimination

3.2 Gender and Racial Discrimination – Consequences and Evidence

3.3 Economic and Other Theories of Discrimination

3.3.1 Economic Theories of Labour Market Discrimination

3.3.1.1 Taste or Prejudice Hypothesis

3.3.1.2 Monopoly Power Model

3.3.1.3 Statistical Theory of Discrimination

3.3.2 Institutional Models

3.3.2.1 Segmented Theory of Discrimination

3.3.2.2 Crowding Hypothesis
3.3.3 Radical Models

3.4 Measurement of Segregation and Empirical Analysis of Labour Market Discrimination

3.4.1 Indices of Segregation – Duncan Index, Marginal Matching Index, etc.

3.4.2 Decomposition Analysis

3.5 Public Policy Interventions

3.5.1 Affirmative Action - Evidence of Effectiveness

**Required Readings**


**Further Readings**


**Readings from African Perspective**


(iv) Barr A. and A. Oduro (2011) Ethnicity and Wage Determination in Ghana, WB 16406


4. **LABOUR MIGRATION (12 HOURS)**

   4.1 Internal Labour Migration and Urbanization

   4.2 International Labour Migrations
4.3 Immigrant Performance
   4.3.1 Cross-Over Hypothesis
   4.3.2 Immigrant Selectivity

4.4 Brain Drain and Brain Gain – Empirical Analysis and Evidence

4.5 Labour Market Outcomes of Migration in Africa

4.6 Displaced Labour - Refugee Skill Training and Absorption

**Required Readings**


**Further Readings**

(i) UNDP (2011) ‘Regional Integration and Human development: A pathway for Africa’


Readings from African Perspective


5. GLOBALIZATION, FOREIGN DIRECT INVESTMENT AND AFRICAN LABOUR MARKET (8 HOURS)

5.1 The Dynamics of Global Labour Market
5.2 Labour Market Outcomes and Effects of FDI
5.3 Chinese Investment in Africa and the Labour Market Effects

Core Readings


Readings from African Perspective

