AFRICAN ECONOMIC RESEARCH CONSORTIUM

COLLABORATIVE MASTERS DEGREE PROGRAMME (CMAP) IN ECONOMICS FOR ANGLOPHONE AFRICA (EXCEPT NIGERIA)

JOINT FACILITY FOR ELECTIVES

LABOUR ECONOMICS

COURSE OUTLINE

(Revised: February, 2017)
OBJECTIVES
The objectives of the course in Labour Economics are to:

(a) Provide students with both theoretical and empirical knowledge about the operation and the importance of labour markets;

(b) Equip students with the analytical skills required for dealing with labour market issues and policies;

(c) Familiarize students with current issues and policies relating to labour market outcomes with particular emphasis on Africa; and

(d) Encourage and develop students’ skills and interest in undertaking research in labour market issues using African datasets.

ORGANISATION OF THE COURSE
The course is divided into two complementary parts. Part 1 in the first semester (Labour Economics I) covers the general concepts and theory of labour economics. Part 2 in the second semester (Labour Economics II) is devoted to major empirical, institutional and policy issues pertaining to labour markets in developing countries in general and in sub-Saharan Africa in particular.

MAIN TEXTBOOKS


GRADING
Final grading will be based on end of semester examinations (60%) and continuous assessments or course work (40%). Continuous assessments will comprise:

(a) Empirical term paper (mostly focuses on review of critical articles) and presentation: 20%.

(b) One class test: 20%.
SUMMARY OF TOPICS

FIRST SEMESTER: LABOUR ECONOMICS I (PART I)

1. Introduction to Labour Economics and Labour Market Issues in Africa (5 Hours)
2. Labour Supply (17 Hours)
3. Labour Demand (12 Hours)
4. Wage Determination (15 Hours)
5. Education and Human Capital Theory (11 Hours)

SECOND SEMESTER: LABOUR ECONOMICS II (PART II)

1. Job Search, Information, Employment and Unemployment (16 Hours)
2. Labour Mobility (14 Hours)
3. Economics of Labour Market Segregation and Discrimination (10 Hours)
4. Trade Unions (12 Hours)
5. Labour Market Policies (8 Hours)
LABOUR ECONOMICS I (60 HOURS)
(FIRST SEMESTER)

1. INTRODUCTION TO LABOUR ECONOMICS AND LABOUR MARKET ISSUES IN AFRICA (5 HOURS)

   1.1 Definition and Scope of Labour Economics
   1.2 Importance of Labour Economics
   1.3 Evolution of the Labour Market Theory
   1.4 Labour Economics in the Context of Africa

Required Readings

(viii) World Bank Reports. Various Issues
2. LABOUR SUPPLY (17 HOURS)

2.1 Participation and Hours Decisions

2.2 Short-run Labour Supply Analysis
   2.2.1 Simple Static Model
   2.2.2 Extensions to the Simple Static Model
      2.2.2.1 Fixed Costs
      2.2.2.2 Rigid Hours
      2.2.2.3 Moonlighting Activity
   2.2.3 Household Labour Supply Models
      2.2.3.1 Family Labour Model
      2.2.3.2 Household Production Model

2.3 Application
   2.3.1 Effects of Taxes and Transfers
   2.3.2 Welfare Programmes

Required Readings
(vi) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition

Supplementary Readings


(x) Ashenfelter O. and R. Layard (1993), Handbook of Labour Economics, Vol. 1, New York: Elsevier. Chapters 1, 2 and 4


(xiii) Brue S. (2003), Contemporary Labour Economics

Readings on Africa


(iii) 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 (12 HOURS)

3.1 Types and Forms of Discrimination

3.2 Demand in Competitive Labour Markets

3.2.1 Short run and long run analysis

3.2.2 Factor Substitution (Technology)

3.2.3 Minimum Wage Effects
3.3 Demand in Non-competitive Labour Markets
   3.3.1 Monopsonistic Markets
   3.3.2 Oligopolistic Markets

**Required Readings**

(iii) Bosworth D., P. Dawkins, T. Stromback (1996), *The Economics of the Labour Market*

**Supplementary Readings**

(i) Teal F. (2000), Real Wages and the Demand for Skilled and Unskilled Male Labour in Ghana’s
(v) Brue, S. (2003), Contemporary Labour Economics
Readings on Africa


4. WAGE DETERMINATION (15 HOURS)

4.1 Models of Wage Determination
   4.1.1 Competitive Labour Market
   4.1.2 Non-competitive Labour Markets
   4.1.3 Compensating Wage Model
   4.1.4 Internal Labour Markets
   4.1.5 Efficiency-wage Model
   4.1.6 Insider-Outsider Model

4.2 Labour Contracts and Incentives
   4.2.1 Labour Contracts
   4.2.2 Incentive Schemes

Required Readings


(iii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition


Supplementary Readings


(xix) Polacheck S. W., Siebert W. S. (1993), The Economics of Earnings, Cambridge University Press

(xx) Brue, S. (2003), Contemporary Labour Economics


Readings on Africa


5. EDUCATION AND HUMAN CAPITAL THEORY (11 HOURS)

5.1 The Theory of Human Capital
   5.1.1 Investment Decision
   5.1.2 Private and Social Returns to Education
   5.1.3 Implications of Human Capital Theory

5.2 Application of Human Capital Model

5.3 Critique of Human Capital Model
   5.3.1 Education as a Screening or Signaling Device

5.4 On-The-Job Training
   5.4.1 General vs. Specific Training
   5.4.2 Implications of On-The-Job Training

Required Readings
(iii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition

Readings on Africa


LABOUR ECONOMICS II (60 HOURS)
(SECOND SEMESTER)

1. JOB SEARCH, INFORMATION, EMPLOYMENT AND UNEMPLOYMENT (16 HOURS)

   1.1 Job Search and Information
      1.1.1 Job search and matching
      1.1.2 Labour Market Information

   1.2 Unemployment
      1.2.1 The Concept of unemployment and its application in Africa’s context
      1.2.2 Types and costs of unemployment
      1.2.3 Youth unemployment and demographic trends

   1.3 Informality And Underemployment
      1.3.1 Informal sector employment in Africa
      1.3.2 Underemployment

   1.4 Employment Policies in Africa
      1.4.1 Supply-side Policies
         1.4.1.1 Education and Training Policies
         1.4.1.2 Population Policy
      1.4.2 Demand-side Policies
         1.4.2.1 Labour Absorption capacity
         1.4.2.2 Special Employment Programmes

   1.5 Child Labour
      1.5.1 Definition and concept of child labour
      1.5.2 Limitation and application in Africa’s context
      1.5.3 Causes and consequences of child labour

**Required Readings**


(iii) ILO (1990), Employment, Unemployment, and Underemployment, An ILO Manual on Concepts and Methods, Geneva

**Readings on Africa**


**Supplementary Readings**


**Readings on Africa**


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


2. LABOUR MOBILITY (14 HOURS)

2.1 Types of Mobility
   2.1.1 Spatial
   2.1.2 Job mobility
   2.1.3 Across sectors
   2.1.4 Occupational

2.2 Labour Migration
   2.2.1 Internal Labour Migration
   2.2.2 International Labour Migration
      2.2.2.1 Human capital explanation of migration
      2.2.2.2 Asymmetric Information perspective of international migration
   2.2.3 Consequences of international migration
      2.2.3.1 Brain drain and Remittances
      2.2.3.2 Other Effects of Migration

2.3 Labour Turnover
   2.3.1 Job Tenure
   2.3.2 Quits and Lay-Offs

Required Readings
(iii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition
Supplementary Readings


Readings on Africa


3. ECONOMICS OF LABOUR MARKET SEGREGATION AND DISCRIMINATION (10 HOURS)

3.1 Segregation versus Discrimination in the Labour Market

3.2 Types of Labour Market Discrimination

3.2 Economic Theories of Discrimination

3.3 Measuring the Extent of Segregation and Discrimination in the Labour Market

3.4 Empirical Evidence on Segregation and Discrimination

Required Readings


**Readings on Africa**


4. TRADE UNIONS (12 HOURS)

4.1 Theories of Union Behavior
- 4.1.1 Monopoly Model
- 4.1.2 Right-to-Manage Model
- 4.1.3 Efficiency Wage Bargain Model
- 4.1.4 Seniority Model

4.2 Strike Activity and Bargaining Power

4.3 Economic Impacts of Unions
- 4.3.1 Union Wage Effects - Measures and Empirical Evidence
- 4.3.2 Unions and Productivity

Required Readings

(iii) Kauffman and Hotchkiss (2006), Economics of Labour Market, 6th Edition
(iv) Bosworth D., P. Dawkins, T. Stromback (1996), The Economics of the Labour Market

Readings on Africa

5. LABOUR MARKET POLICIES (8 HOURS)

5.1 Labour Standards and the International Labour Organization
5.2 Social Protection
5.3 Active and Passive Labour Market Policies

Required Readings

(i) Gary, F. (2007), Labour Market Policies in Developing Countries: A Selective Review of the Literature and Needs for the Future, Cornell University IL School
