Second Semester - 2011

Unit convenor: Dr Michael Dobbie

Prerequisites: ECON200 or ECON203

Credit Points: 3

Students in this unit should read this unit outline carefully at the start of semester. It contains important information about the unit. If anything in it is unclear, please consult Michael Dobbie.

ABOUT THIS UNIT

The focus of this unit is upon the use of economic theory to analyse and evaluate the operation of labour markets. The various, often competing, explanations that have been proposed to explain labour market phenomena are stressed when appropriate. Topics covered will include; short and long run labour supply and demand, internal labour markets, personnel economics, the theory of compensating differentials, the employment relationship, the impact of employment protection legislation and minimum wage laws, unemployment and earnings distribution.

TEACHING STAFF

Dr Michael Dobbie, (Unit Convenor) Location and phone number TBA via Blackboard. email Michael.dobbie@.mq.edu.au

CONSULTATION TIMES

Michael Dobbie: regular consultation hours TBA via Blackboard.

You are encouraged to seek help during regular consultation hours. You are also welcome to seek an appointment outside regular consultation hours.

Students experiencing significant difficulties with any topic in the unit are strongly encouraged to seek assistance immediately.

UNIT WEB PAGE

The web page for this unit can be accessed via learn.mq.edu.au. You should check this web page regularly. The lecture slides for each weeks lecture will be posted on the web page, before the lecture. You will find it useful to download the slides prior to the lecture, and bring to them to the lecture. We also use the web page to post important notices from time to time.

CLASSES

Lecture: Wednesday: 3PM to 5PM in E6A133

Tutorial: Wednesday 1PM in C5A313

The timetable for classes can be found on the university web site at: http://www.timetables.mq.edu.au
REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Recommended Text


The Co-op bookstore has this book and it is recommended that students purchase a copy.

Additional References

The following books are referred to in the readings accompanying the lecture and tutorial program. Also many of the following are alternative labour market textbooks which students may wish to consult for assistance in understanding the lecture material.


These references and all the others listed as lecture and tutorial readings are available in the Reserve section of the library. Additional references may be recommended in lectures.

LEARNING OUTCOMES

After successfully completing this unit, you will:

1. Have a solid understanding of labour market theory;
2. Be familiar with how this theory aids decision-making by individuals, business and government;
3. Be able to continue any future studies in economics, and in labour economics in particular, with increased confidence;
4. Be able to communicate effectively on labour market issues;
5. Be able to use the theory you have studied to solve problems;
6. Be able to recognise how economic theory can explain observed human behaviour.

GRADUATE CAPABILITIES

In addition to the discipline-based learning objectives, all academic programs at Macquarie seek to develop the capabilities the University's graduates will need to develop to address the challenges, and to be effective, engaged participants in their world.

This unit contributes to this by developing the following graduate capabilities:

1. Discipline Specific Knowledge and Skills
2. Critical, Analytical and Integrative Thinking
3. Problem Solving and Research Capability
4. Effective Communication
5. Capable of Professional and Personal Judgement and Initiative
6. Commitment to Continuous Learning

**TEACHING AND LEARNING STRATEGY**

This unit is taught as a mix of tutorials and lectures. The lectures are designed to provide the tools which can then be applied in tutorials.

**Lectures – (2 hours each teaching week)**
Lectures are intended to provide an overview of the key concepts explored in the unit. Students are expected to read the relevant chapters before each lecture.

**Tutorials – (1 hour each teaching week beginning in Week 2)**
Tutorials constitute a critical learning experience of this unit and students must attend them. Group work is an essential part of this learning. In Econ314, we emphasise peer-to-peer learning by working as a group through the exercises and learning from others (fellow students and the tutor). Presenting and explaining concepts to other students will allow you to not only learn, but develop the ability to communicate what you have learnt to others. This will in turn reinforce your learning.

Your tutor's role (by explaining, clarifying and summarising) is to help you understand the topics in the tutorial. Ask your tutor for guidance on how to approach questions/difficulties.

**Independent learning –** Econ314 relies heavily on independent learning where students read the relevant chapter, revise the lecture notes and prepare answers to the pre-set tutorial questions.

**RELATIONSHIP BETWEEN ASSESSMENT AND LEARNING OUTCOMES**

Assessment will be based on the following FIVE activities. Students must satisfactorily complete ALL 5 assessments to be eligible to pass this unit.

<table>
<thead>
<tr>
<th>Assessment 1: Tutorial Group Presentation (10%)</th>
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Tutorials begin in week 2. In the first tutorial, held in week 2, your tutor will explain in detail how the tutorial program works. In brief, you will be organised into small groups and you are required to work through the tutorial exercises with your group throughout the semester. Each group will be assigned the task of presenting a number of answers during the semester. The presentations will contribute a total of 10% to your final mark in this unit.

The emphasis in marking the tutorial presentations will be on your ability to work effectively in a group environment, to understand and explain the essential elements of each topic and to help others. Your consistent participation in group work and group presentation is essential for you to achieve learning outcomes 3, 4 and 5, in particular (see below for Learning Outcomes). Your participation in the tutorial group presentations will allow you to practise how to apply economic theory to solve problems, to communicate your ideas to others and thereby to improve the confidence with which you undertake future economic studies.

A separate document with detailed instructions about the tutorial format will be made available on Blackboard at the end of week 1. Your tutor will also outline tutorial requirements to you in your first tutorial in week 2.
Assessment 2: Within-semester multiple choice test number 1 (5%). Held on August 24 at 1pm in C5A313

The test will be held in class. The exam will be held in **WEEK 4 during the time scheduled for your tutorial.** As there is only one tutorial time each week in econ314, this means that the test will be held on **Wednesday August 24 at 1pm in C5A313.**

The test will go for approximately 20 minutes and will contain 10 multiple choice questions. The questions will be drawn from material covered in the unit (lectures, tutorials and readings) up to and including week 3. The questions will test your knowledge of basic economic concepts as well as your ability to use those concepts to solve economic problems. The test will be worth 5% of your total marks in the unit. At the conclusion of the test your tutor will collect the exam papers. He will then go through the questions and answers in order to provide immediate feedback.

**This test is intended to give you some early feedback on your progress in the unit. If you get less than half of the answers in this test right, it is highly recommended that you discuss this with Michael Dobbie immediately.**

Assessment 3: Within Semester Essay; Due October 5th 2011 (15%)

Each student must submit their essay by 1pm on Wednesday 5th of October 2011. The essay is submitted via BESS. The emphasis in the essay will be on using economic theory and reasoning to answer a question on the Australian labour market. This essay will be worth 20% of your final mark in this unit.

A separate document with detailed instructions about the essay, as well as the essay question, will be made available on Blackboard in week 5.

Assessment 4: Within-semester multiple choice test number 2 (10%). Held on October 19 at 1pm in C5A313

The test will be held in class. The test will be held in **WEEK 10 during the time scheduled for your tutorial.** As there is only one tutorial time each week in econ314, this means that the test will be held on **Wednesday October 19 at 1pm in C5A313.**

The test will go for approximately 20 minutes and will contain 10 multiple choice questions. The questions will be drawn from material covered in the unit (lectures, tutorials and readings) up to and including week 9. The questions will test your knowledge of basic economic concepts as well as your ability to use those concepts to solve economic problems. The test will be worth 10% of your total marks in the unit. At the conclusion of the test your tutor will collect the test papers. He will then go through the questions and answers in order to provide immediate feedback.

Assessment 5: FINAL EXAMINATION (60%)

End of unit two hour written examination, to be taken during the end of semester examination period. The examination will cover material drawn from all parts of the unit’s subject matter. The exam will consist of written essay type questions. The final exam will give you the opportunity to demonstrate your knowledge of the economic concepts and labour market applications that you have studied during the semester in econ314.
<table>
<thead>
<tr>
<th>Name of task</th>
<th>Assessment Task 1</th>
<th>Assessment Task 2</th>
<th>Assessment Task 3</th>
<th>Assessment Task 4</th>
<th>Assessment Task 5</th>
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</thead>
<tbody>
<tr>
<td>Description of task</td>
<td>Tutorial Presentation</td>
<td>Within Semester Multiple Choice Test 1</td>
<td>Essay</td>
<td>Within Semester Multiple Choice Test 2</td>
<td>Final Exam</td>
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<td>When</td>
<td>In tutorials beginning in week 3 (refer to Unit Diary below)</td>
<td>During normal tutorial time in week 4</td>
<td>Due Wednesday 5th October by 1pm. Submit to BESS.</td>
<td>During normal tutorial time in week 10</td>
<td>End of year exam period</td>
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<td>% weighting</td>
<td>10</td>
<td>5</td>
<td>15</td>
<td>10</td>
<td>60</td>
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<tr>
<td>What will be assessed?</td>
<td>Pre-set tutorial questions</td>
<td>All content up to and including week 3</td>
<td>All content up to and including week 7</td>
<td>All content up to and including week 9</td>
<td>All content weeks 1–13</td>
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<tr>
<td>Feedback</td>
<td>Grade at end of course. Verbal comments by tutor each week in tutorial.</td>
<td>At conclusion of test tutor will explain correct answers. You will know your result on day of test. Results also posted on Blackboard within 3 weeks of test</td>
<td>Grade and written comments due by week 13</td>
<td>At conclusion of test tutor will explain correct answers. You will know your result on day of test. Results also posted on Blackboard within 3 weeks of test</td>
<td>Final overall course result</td>
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<tr>
<td>Grading method</td>
<td>To be explained in tutorial 1 by your tutor. There will also be a document on Blackboard with explanation of grading method.</td>
<td>One mark per correct answer, Zero for an incorrect answer</td>
<td>To be explained in full in a document on Blackboard. Document will be available by week 5.</td>
<td>One mark per correct answer. Zero for an incorrect answer</td>
<td>University grading guidelines</td>
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<td>Learning outcomes assessed</td>
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<td>Graduate capabilities assessed</td>
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EXAMINATIONS – GENERAL INFORMATION

A final examination is included as an assessment task for this unit to provide assurance that:

i) the product belongs to the student and

ii) the student has attained the knowledge and skills tested in the exam.

A 2 hour final examination for this unit will be held during the University Examination period.

The University Examination period for semester 2, 2011 is from Monday November 14 to Friday December 2.

You are expected to present yourself for examination at the time and place designated in the University Examination Timetable. The timetable will be available in Draft form approximately eight weeks before the commencement of the examinations and in Final form approximately four weeks before the commencement of the examinations.

http://www.timetables.mq.edu.au/exam

The only exception to not sitting an examination at the designated time is because of documented illness or unavoidable disruption. In these circumstances you may wish to consider applying for Special Consideration. The University’s policy on special consideration process is available at http://www.mq.edu.au/policy/docs/special_consideration/policy.html

If a Supplementary Examination is granted as a result of the Special Consideration process the examination will be scheduled after the conclusion of the official examination period.

The Macquarie university examination policy details the principles and conduct of examinations at the University. The policy is available at: http://www.mq.edu.au/policy/docs/examination/policy.htm

ACADEMIC HONESTY

The nature of scholarly endeavour, dependent as it is on the work of others, binds all members of the University community to abide by the principles of academic honesty. Its fundamental principle is that all staff and students act with integrity in the creation, development, application and use of ideas and information. This means that:

- all academic work claimed as original is the work of the author making the claim
- all academic collaborations are acknowledged
- academic work is not falsified in any way
- when the ideas of others are used, these ideas are acknowledged appropriately.

Further information on the academic honesty can be found in the Macquarie University Academic Honesty Policy at http://www.mq.edu.au/policy/docs/academic_honesty/policy.html

GRADES

Please refer to relevant Bachelor Degree rule in the Handbook of Undergraduate Studies.

GRADING APPEALS AND FINAL EXAMINATION SCRIPT VIEWING

If, at the conclusion of the unit, you have performed below expectations, and are considering lodging an appeal of grade and/or viewing your final exam script please refer to the following
website which provides information about these processes and the cut off dates in the first instance. Please read the instructions provided concerning what constitutes valid grounds for appeal before appealing your grade.


**SPECIAL CONSIDERATION**

The University is committed to equity and fairness in all aspects of its learning and teaching. In stating this commitment, the University recognises that there may be circumstances where a student is prevented by unavoidable disruption from performing in accordance with their ability. A special consideration policy exists to support students who experience serious and unavoidable disruption such that they do not reach their usual demonstrated performance level. The policy is available at: [http://www.mq.edu.au/policy/docs/special_consideration/procedure.html](http://www.mq.edu.au/policy/docs/special_consideration/procedure.html)

**STUDENT SUPPORT SERVICES**

Macquarie University provides a range of Academic Student Support Services. Details of these services can be accessed at [http://www.student.mq.edu.au](http://www.student.mq.edu.au).

**IT CONDITIONS OF USE**

Access to all student computing facilities within the Faculty of Business and Economics is restricted to authorised coursework for approved units. Student ID cards must be displayed in the locations provided at all times.

Students are expected to act responsibly when utilising University IT facilities. The following regulations apply to the use of computing facilities and online services:

- Accessing inappropriate web sites or downloading inappropriate material is not permitted. Material that is not related to coursework for approved unit is deemed inappropriate.
- Downloading copyright material without permission from the copyright owner is illegal, and strictly prohibited. Students detected undertaking such activities will face disciplinary action, which may result in criminal proceedings.

Non-compliance with these conditions may result in disciplinary action without further notice.

Students must use their Macquarie University email addresses to communicate with staff as it is University policy that the University issued email account is used for official University communication.
Lecture/Tutorial/Assessment Schedule

<table>
<thead>
<tr>
<th>Week/Lecture No.</th>
<th>Date of Lecture</th>
<th>Tutorial Number</th>
<th>Assessment Dates</th>
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<tbody>
<tr>
<td>1</td>
<td>August 3</td>
<td>No tutorial in week 1</td>
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<td>2</td>
<td>August 10</td>
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<td>3</td>
<td>August 17</td>
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<td>4</td>
<td>August 24</td>
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<td>Multiple choice test number 1. Held during the normal tutorial time. Wednesday August 24 at 1pm in C5A313</td>
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<td>August 31</td>
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<td>September 7</td>
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<td>September 14</td>
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<td>Recess</td>
<td>September 21</td>
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<tr>
<td>Recess</td>
<td>September 28</td>
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<td>8</td>
<td>October 5</td>
<td>No tutorial</td>
<td>Essay Due. Submit to BESS by 1pm on Wednesday October 5</td>
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<td>9</td>
<td>October 12</td>
<td>7</td>
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<tr>
<td>10</td>
<td>October 19</td>
<td>8</td>
<td>Multiple choice test number 2. Held during the normal tutorial time. Wednesday October 19 at 1pm in C5A313</td>
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<tr>
<td>11</td>
<td>October 26</td>
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<td>12</td>
<td>November 2</td>
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<td>November 9</td>
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Lectures and Readings

**LECTURE 1: INTRODUCTION TO THE STUDY OF LABOUR MARKETS**

Topics covered include: what is modern labour economics, schools of thought in labour economics, is labour fundamentally different from other commodities, labour market processes and labour market outcomes.

**Readings:**
Kaufman & Hotchkiss (hereafter K & H) Ch.1
Whitfield & Ross (1996) The Australian Labour Market (2nd Ed) Ch 1
LECTURES 2 & 3: 
LABOUR SUPPLY IN THE SHORT-RUN

Topics covered include: the neoclassical theory of short-run labour supply, applications and criticisms of the theory and a look at some evidence on the Australian labour supply.

Readings:
K&H Ch.2 & 3
Norris et al Ch 2

LECTURE 4:
HUMAN CAPITAL THEORY AND THE QUALITATIVE DIMENSION OF LABOUR SUPPLY

This topic looks at the human capital account of investment in education and on-the-job training. It also explores the education/earnings relationship from both an empirical and theoretical perspective.

Readings:
K&H Ch.7
Norris et al Ch 4

LECTURE 5:
LABOUR DEMAND: SHORT RUN & LONG RUN

This topic presents and critically evaluates the neoclassical theory of labour demand in the short-run and long-run. Modified models of labour demand are also considered. Finally, some of the empirical evidence on the demand for labour in Australia is looked at.

Readings:
K&H Ch.4 & 5
Norris et al Ch 3

LECTURE 6:
THE DETERMINATION OF WAGES UNDER PERFECT COMPETITION. THE ECONOMICS OF THE MINIMUM WAGE.

Examination will be made of the wage determination under competition. The rationale and economic consequences of government determined minimum wages will also be explored.

References:
K & H Ch 6

LECTURE 7:
INTERNAL LABOUR MARKETS.

This lecture examines the theory of internal labour markets. The origin of this theory by the institutional school of labour economics in the USA will be briefly examined. The theory will also be used to reflect upon the ‘changing nature of the employment relationship’ debate that has been occurring in recent years.
References:
K & H Ch 6 pp 295-300
Norris et al Ch.5.

**LECTURE 8:**
**EMPLOYEE MOTIVATION AND COMPENSATION**

This topic looks at issues surrounding the control of worker effort via payment schemes and other mechanisms. More specifically, piece rates versus time rates, and the theory of deferred-payment schemes.

**Readings:** **these are the main references. The others are optional.**

**K&H Ch 10 pp505-511, pp530-534.
Norris et al pp 102-103.
**Ehrenberg & Smith Ch.11

**LECTURE 9:**
**OCCUPATIONAL WAGE DIFFERENTIALS: THEORY, APPLICATIONS AND EVIDENCE**

The classical and hedonic theories of compensating wage differentials will be presented and assessed. The hedonic theory will be applied to an examination of issues such as occupational health and safety, the growth of fringe benefits and the work/family-life balance debate. The lecture will also examine and appraise the empirical evidence relating to compensating wage differentials.

References:
K & H Ch 8

**LECTURE 10:**
**TRADE UNIONS**

Trade unions are one of the main institutional features of the labour market. This lecture examines a number of theories of trade unions and associated empirical evidence.

Readings:
K & H Ch11 and 12.
Norris et al Ch 6
LECTURE 11
DISCRIMINATION IN THE LABOUR MARKET

This lecture examines the causes and consequences of discrimination in the labour market. The measurement of discrimination in wages is outlined, as are recent trends in gender based wage discrimination.

Readings:
K & H Ch.9
Norris et al Ch 7

LECTURE 12:
UNEMPLOYMENT

Topics covered in this lecture include; macroeconomic versus microeconomic views on unemployment, the meaning and measurement of unemployment, the meaning and extent of hidden unemployment, the ‘risk index’ approach to unemployment. Throughout the lecture the Australian experience will be examined with reference to cross-sectional and time series data evidence.

Readings:
Norris et al Ch. 9
Le A, T. and Miller, P. (2001), 'Is a Risk Index Approach to Unemployment Possible?', Economic Record, 77(236), pp 51-70

LECTURE 13:
EARNINGS DISTRIBUTION

This lecture begins by distinguishing between the functional and personal distribution of income. The focus of the lecture is on the personal distribution of earnings; that is, on the part of income which is derived from labour market activity. Topics covered include; explaining the log-normal earnings distribution; recent Australian and international trends in earnings inequality; explanations for those trends. The subject matter of this lecture also helps to ‘bring together’ many of the issues discussed in this unit up to this point.

Readings:
Norris. To be placed on Blackboard