Course description

Labour is a factor of production. But it is a special factor of production, because it is provided by human beings. Humans voluntarily make labour supply decisions. Also, labour market outcomes translate directly into human wellbeing.

Labour economics is a study of how labour markets function and the determinants of outcomes such as the extent of employment and the wage level. It also analyses the impacts of immigration, minimum wages and collective bargaining, among other issues.

Topics we will cover include determinants of labour supply and labour demand, impacts of immigration and minimum wages, education & training, migration, discrimination, labour unions, and incentive pay for work. All topics will be motivated by real-world examples and policy questions, so that you can see how the study of labour economics can enhance our understanding of how the world works.

Course Intended Learning outcomes (CILOs)

Students who complete this course successfully will be able to:

1. define key concepts related to labour markets (ECOF 3, 6; BBA 4.1, 6)

1Numbers in parentheses are specific Programme Intended Learning Outcomes (PILOs) for the ECOF and BBA programmes respectively.
2. explain the optimisation process behind labour demand (ECOF 3, BBA 4.1, 4.3)
3. analyse labour market equilibria (ECOF 1.2, 4.1, 4.3; BBA 1.2, 4.1, 4.2, 4.3, 4.4)
4. understand and explain the effects of immigration and minimum wages on labour market equilibria (ECOF 4.2, 4.3, BBA 4.1, 4.2)
5. discuss different theories about the role of human capital in labour markets (ECOF 4.2, 4.3, 4.5, BBA 4.2, 4.3, 4.4)
6. explain determinants of the decision to migrate, and self-selection in migration (ECOF 1.3, 1.4, 7.2, 7.3; BBA 1.3, 1.4, 7.2, 7.3)
7. analyse the role of piece-rates, tournaments and efficiency wages in incentivising worker effort (ECOF 6, 9; BBA 6, 9)

**Prerequisites**

You must have taken at least ECON 3133 (previously known as ECON 200) or ECON 3014 (previously known as ECON 214) successfully to enrol in this course. I will assume that you know core concepts in calculus and microeconomics. Please review these if you feel uncertain.

**Learning resources**

- Lecture notes will be posted on the course website. However, it is possible that some material discussed does not appear in the lecture notes. **You will be responsible for all material discussed in class and in the assigned reading, whether or not it appears in the lecture notes.**

- We will use the course website for announcements, to post assignments and your homework and exam grades. Please check it regularly.

- The textbook for the course is George Borjas’s *Labor Economics* (Seventh Edition). The book is available for sale at the campus bookstore. I expect you to read the relevant sections of the book. (Exact section numbers will be provided in the lecture notes.) If I refer to any additional material during class, I will provide references to it on the course website, but it will not be required reading.
Learning environment

Meetings/Lessons
We will meet twice a week during the lecture slot. The tutorial slot will generally not be used, but may need to be used for additional make-up classes if unforeseen circumstances arise and I am forced to cancel a class. You will be informed accordingly. Classes will mainly be in lecture format (this addresses CILOs 1-6), but the aim is to make these interactive. See note on Participation below.

Participation
I welcome, and do my best to encourage, class participation. At any time, please feel free to interrupt me to ask questions or make comments. I will also ask questions and expect you to answer. Please do not worry about whether your answer is “correct” or “incorrect”. Often what is incorrect according to a particular viewpoint is correct according to another viewpoint. The questions are not meant to test you. Instead, I am interested in finding out what you think and why you think it, and then build the discussion from there.

Policy on Mobile Devices
I think of our lectures as a conversation. This means that both sides need to be engaged. It hurts my feelings if I am talking to people but they are looking at their phones or computers instead of looking back at me. If you need to check or send an urgent message, or even talk to someone on the phone, please step out of the class to do this, and then return when you are once again able to pay attention to our discussion.

Assessment scheme

Class Participation 5% (CILO 10)
Your class participation score will depend on how often you raised questions, answered questions or made comments. Students who participate more actively will get more marks. Attendance and participation are not the same thing, although of course one is a necessary condition for the other!

Homework 20% (CILOs 1-8)

- There will be four homework sets.
- They will be based on the readings and material discussed in class. This homework is meant to give you a chance to revise the material, and to see what is expected of you. My emphasis is that you try to answer the questions and in the process think about and learn the material in greater depth. So I hope that for your own sake, you will attempt to answer the questions yourselves, and not copy your friends’ homework.
• Homework will be due in hard copy at the beginning of class, on the specified date. Late submissions will not be entertained.\footnote{Exceptions will be made only under the gravest circumstances. I will follow up to confirm the situation.}
• Each student must submit their own individual homework.
• Homework must either be typewritten or written in clear, legible handwriting. Please staple all pages together, and write your name on the front page.
• When calculating the homework total, your lowest-scoring homework will receive a weight of 2%, and the other three homework sets will receive a weight of 6% each, to add up to 20% in total.

**Midterm Exam** 35\% (CILOs 1-6, 10)

The midterm exam will be held in a lecture slot on **Friday, October 21**. The venue will be our regular classroom (LSK 1034). This will be a closed-book exam based on the material covered from the beginning of the course until October 14 (inclusive). Please mark the date on your calendar now – it is not possible to schedule make-up exams (see footnote 2). To help you prepare for the mid-term, on **Monday, October 17** the class will be devoted to a review session, led by your TA.

**Final Exam** 40\% (CILOs 1-6, 10)

The final exam will be held on the date fixed by the Registrar’s office. Please refer to the final examination timetable posted by the Academic Records and Registration Office. Please note: The final exam is NOT cumulative. It will cover material from after the midterm until the end of the course.

**ECON 4670: Economics Research and Communication**

This course is *not* listed as one of the courses that will help you pass ECON 4670. There is no term-paper requirement for this course. I will be unable to supervise your ECON 4670 paper if you want to write it on a topic related to this course.

**Academic honesty**

Academic dishonesty is immoral and unfair, and I take a very serious view of it. You must be aware of HKUST’s policy on academic integrity, and abide by its provisions. I will report all cases of suspected misconduct to the Dean’s Office, and their decision will be final and binding.

Please be especially careful not to plagiarize. Many students plagiarize without realizing what they are doing. For example, any text that you quote directly from another source must be included in quotation marks, and referenced correctly. If you do not include quotation marks, the words must be your own. If we detect plagiarism on written assignments we will penalise it.
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*Topics and/or readings may change. Check the course website for updates.*