

# Part IIA Paper 7 Labour

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## Paper Content

The paper provides a broad perspective on the operation of labour markets. It builds upon theoretical microeconomics, statistical methods, and institutional background.

## Aims

The paper aims to introduce participants to the range of tools economists employ to study labour markets and to current theoretical and empirical knowledge in labour economics and to introduce them into institutional differences between advanced economies.

## Objectives

The paper has the following subject matter: the distribution of wages and the determination of employment by household supply and employer demand for labour, the role of market frictions in shaping the equilibrium outcome, human capital and education, asymmetric information and screening, the family structure, and discrimination. Candidates will be expected to know the main empirical data sources on the labour market. They should also be familiar with the modern approaches to the analysis of such data. Students will be introduced to empirical work on these issues in country-specific contexts and will learn about country-specific peculiarities among advanced economies regarding, for example, wage dispersion, minimum wages, gender wage differentials, taste discrimination and statistical discrimination, the sorting in the marriage market and the labour division within household. They should be able to draw selectively on contributions from sociology and political science.

## Lecture Courses

The lecture courses for this paper are as follows:

Dr Weilong Zhang, 16 hours, Michaelmas Term, weeks 1-8

**Signalling, Job Search and Family Structure** Literature: Borjas, chapter 2.9, 3.10, 6.9, 7-10 and 12.1-12.5

This part covers four separated but connected parts: (1) the role of education as a signalling device; (2) job search model with wage bargaining setting; (3) the divisions of labour within the family, gender differentials in market pay and discrimination issues. (4) job skills, occupation tasks and wage inequality. The lectures emphasise both the theoretical model and the empirical evidences to support the model in each part. It pays particular attention to policy interventions and their effectiveness. While the focus is primarily on the UK, comparisons with other countries will also be introduced.

Dr Kai Liu, 16 hours, Lent Term, week 1-8

**Supply and Demand, Human Capital** Literature: Borjas, chapter 2-4 and 6.1-6.8

This part of the course discusses the basic ingredients of the labour market: supply, demand and human capital formation. The lectures analyse the impact of taxation and welfare programs on supply and demand, the substitutability between capital and labour and the elasticity of labour demand, the impact of minimum wages, ability bias in estimating return to education.

## Recommended Reading

Borjas, G. (2019) Labour Economics, 8<sup>th</sup> edition

Selected papers will be made available during the course.

## Supervisions

Supervisions should be organised through your Director of Studies. A set of supervision questions will be available for potential supervisors on the course webpage.

## Examination

**For details of the examination structure, please refer to the Form and Conduct Notice pages on Moodle.**