

Labour Economics

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What is Labour Economics?

- Labour economics studies how labour markets work
- Most of us will spend a lot of time in the labour market
- Our success in the labour market helps to determine our wealth and what we can afford to consume

Labour Economists study a wide range of policy issues, such as,

- What happens when we increase the minimum wage?
- The effectiveness of active labour market policies
- The impact of welfare policies on employment
- Inequality in the labour market (e.g., the gender wage gap and income / wage inequality)

Books

We have two recommended texts for this course

- Labor Economics – Borjas
- Modern Labor Economics: Theory and Public Policy– Ehrenberg and Smith

Teaching Format

- I will post a series of short videos dealing with specific topics
- Benefits of having a series of short videos versus one long video
- Problem solving sessions – we will go through worksheets, solving practical problems.
- These sessions should involve classroom participation. You can ask and answer questions.
- Office hour (remote) – you can make an appointment to chat to me one-on-one (via video call) during my office hour.

Assessment

- Essay (50%)
- Due end of week 6 (Friday 30th October)

- 2 graded worksheets (each worth 25%)
- Graded Worksheet 1 – due end of week 9 (Friday 20th November)
- Graded Worksheet 2 – due end of week 12 (Friday 11th December)

Some Basic Labour Market Statistics

- The labour force (LF) is made up of those who are employed (E) and those who are unemployed (U)

$$LF = E + U$$

- The labour force participation rate gives the percentage of the population that is in the labour force

$$\text{Labour force participation rate} = \frac{LF}{P}$$

- Unemployment rate is % of labour force that are unemployed

$$\text{Unemployment rate} = \frac{U}{LF}$$

Some Basic Labour Market Statistics

- ONS publishes a very useful guide to labour market statistics

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/methodologies/aguidetolabourmarketstatistics#unemployment>

Measuring the Labour Force

Question

Give some examples of people (groups) who are not in the labour force.

Trends in labour supply

TABLE 2-2 Labor Force Participation Rates of Women, 1900–2010

Sources: U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Years to 1970*, Washington, DC: Government Printing Office, 1975, p. 133; and U.S. Department of Commerce, *Statistical Abstract of the United States, 2011*, Washington, DC: Government Printing Office, 2011, Table 596.

Year	All Women	Single Women	Married Women	Widowed, Divorced, or Separated
1900	20.6	43.5	5.6	32.5
1910	25.4	51.1	10.7	34.1
1930	24.8	50.5	11.7	34.4
1940	25.8	45.5	15.6	30.2
1950	29.0	46.3	23.0	32.7
1960	34.5	42.9	31.7	36.1
1970	41.6	50.9	40.2	36.8
1980	51.5	64.4	49.9	43.6
1990	57.5	66.7	58.4	47.2
2000	59.9	68.9	61.1	49.0
2010	58.6	63.3	61.0	48.8

Chapter 1: Labour Supply

- The labour supply decision is something we all face
- We decide whether, or not, to work. If we do decide to work, how many hours do we work?

Understanding labour supply

- We will tell the ‘labour supply’ *story*. We should be able to understand this story in a non-technical and intuitive way.
- To tell this story in a more formal way, we will develop a *model* of labour supply
- We will rely on *graphs* to help us understand our *model*