

Labour Economics

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Course Description:

This course provides an applied introduction to labour economics with a focus on both theoretical models and contemporary policy challenges. Topics include labour supply and demand, wage setting, human capital, migration, discrimination on labour markets. Students will engage with economic models, empirical evidence, and policy debates.

Course Prerequisites:

Intermediate Microeconomics and Macroeconomics

Course Objectives/Learning Outcomes:

This course introduces key concepts and tools in labour economics, focusing on how markets for work are shaped by individual choices, institutions, and public policies. It combines theory, empirical evidence, and real-world applications to analyze contemporary labour market issues.

By the end of the course, students will be able to:

- Explain core labour market models (supply, demand, human capital, wage setting)
- Analyze policy-relevant topics such as migration, minimum wages, and unemployment
- Critically evaluate empirical labour economics research
- Interpret labour market institutions across countries
- Communicate economic insights through writing and presentation

Course Requirements:

Assessment in this course is designed to evaluate students' understanding of core labour economics concepts, their ability to apply theory to real-world problems, and their communication skills. The final grade will be based on the following components:

- **Final Exam (35%):** A written exam covering theoretical models, empirical findings, and policy applications. The exam will include short-answer questions, problem solving, and applied analysis.
- **Midterm Exam (15%)** A written exam covering theoretical models, empirical findings, and policy applications. The exam will include short-answer questions, problem solving, and applied analysis.

- **Quizzes (20%):** Two structured problem sets (10% each), focused on theoretical analysis and interpretation of data or empirical results. These assignments are designed to reinforce key models and deepen understanding.
- **Presentation on a Current Labour Market Issue (20%):** Each student (or pair) will prepare a short presentation analyzing a contemporary labour market issue (e.g. automation, gender wage gaps, migration). The presentation should connect the topic to course concepts and highlight key data or policy debates.
- **Participation (10%):** Students' attendance and active participation in the class.

Grading Policy:

Mandatory Completion Policy

Note that all mandatory assignments and exams must be completed to the best of your ability in order for your final grade to be issued. Failure to complete a mandatory assignment or exam may result in a failing grade.

AEP Academic Integrity Policy

Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

AEP Non-Discrimination/Harassment Policy

The AEP program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristics, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

AEP Diversity Policy

AEP is committed to fostering an inclusive and welcoming community that values diversity in all its forms. We believe that one of the most meaningful lessons of studying abroad is learning to navigate and appreciate differences with curiosity and an open mind. While engaging across differences can sometimes be challenging or uncomfortable, these moments are essential for growth and learning. We recognize that every member of our community, even with the best intentions, may occasionally make missteps. Our commitment is to provide a supportive environment where respectful and honest dialogue helps us learn from these experiences, ensuring that every student has the opportunity to thrive and broaden their perspective.

Weekly Schedule

Week 1

AEP Introduction week

Week 2

Class Topic: Introduction to Labour Economics + Intro into Econometrics

Class Description:

Overview of labour economics: key questions, why labour markets matter, structure of the course. Introduction to labour supply and demand concepts.

- Readings: *Borjas, Ch. 1; Borjas, Appendix 1-1*

Week 3

Class Topic: Labour Supply

Class Description:

Choice between work and leisure, including labour-force measurement, historical participation trends, and the labour-leisure model with income and substitution effects.

- Readings: *Borjas, Ch. 2*

Week 4

Class Topic: Labour Demand

Class Description:

Firm hiring decisions based on production functions, marginal productivity, the value of marginal product, and short- vs. long-run labour demand.

- Readings: *Borjas, Ch. 3*

Week 5

Class Topic: Labour Market Equilibrium

Class Description:

Interaction of labour supply and demand in determining wages and employment, with applications to taxes, immigration, wage convergence, and monopsony.

- Readings: *Borjas, Ch. 4*

Week 6

Class Topic: Education in Labour Markets

Class Description:

Human-capital investment and signalling, examining how education shapes productivity, earnings, and labour-market outcomes over the life cycle.

- Readings: *Borjas, Ch. 6*

Week 7

Midterm Exam

Week 8

Class Topic: The Wage Distribution

Class Description:

Determinants of wage inequality through human-capital accumulation, age-earnings profiles, on-the-job training, and long-run shifts in earnings dispersion.

- Readings: *Borjas, Ch. 7*

Week 9

Class Topic: Labour Mobility

Class Description:

Migration as a human-capital investment, exploring mobility across jobs, regions, and countries and its effects on workers and labour markets.

- Readings: *Borjas, Ch. 8*

Week 10

Class Topic: Labor Market Discrimination

Class Description:

Economic explanations for wage gaps among equally skilled workers, including taste-based and statistical discrimination and their empirical implications.

- Readings: *Borjas, Ch. 9*

Week 11

Class Topic: Understanding Unemployment

Class Description:

Causes and measurement of unemployment, emphasizing discouraged workers, alternative underutilization metrics, and theories of wage rigidity.

- Readings: *Borjas, Ch. 12*

Week 12

Class Topic: Student Presentations and Wrap-Up

Class Description:

Student presentations on selected labour market issues. Recap of major course themes and final reflections.

Week 13

Final Exam

Readings:

Textbooks

- Borjas, G. J. (2024). *Labor Economics* (9th ed.). McGraw-Hill Education.