ECON 308: Labor Economics

Professor Mona Said
Office: Jameel 1041  Telephone Ext:(2615) 3185
Email: mona_said@aucegypt.edu

Class Meetings and Office Hours: class will meet every Sunday and Wednesday, 11:30 A.M. – 12:45 P.M. in Jameel CP01

Office Hours: 12:45PM- 2:00PM

Course Description
The course offers a general introduction to modern theoretical and empirical labor economics. Topics to be covered include: operations of labor markets; labor supply and labor force participation decisions; human capital investment; firm, industry and public sector labor demand; wage determination; race and gender employment and wage discrimination; unemployment and public policy effects. The empirical discussions in the course will apply many of the above topics to recent local (Egyptian) and regional (MENA-Middle East North Africa) labor market developments, and this will be particularly emphasized in presentation and final take-home essay.

Community Based Learning Component (CBL)
CBL at AUC is a form of experiential learning that combines faculty-guided community engagement with explicit academic learning objectives. It can be incorporated into coursework at any level across the academic curriculum, utilizing three basic components: classroom preparation, community interaction, and guided reflection.

Five Main Components of CBL
- **Alignment with learning Outcomes:** The CBL component will be of direct relevance to studying learning outcomes 4 to 7 below.

- **Assessment of Learning:** There will be a component to reflect on the experience will be submitted as an annex to the term paper, in form of three sections describing the setting and questions asked, interpreting them in light of theory studied in class, and suggesting policy action and solutions to tackle identified problems.

- **Empowerment:** hearing voices of workers and getting views across to those who can help them

- **Reciprocity:** coming out with solutions that can help them and publishing them, submitting them to policy makers

- **Sustainability** Carry on doing the exercise in future semesters to document and evaluate change.
Types of Potential Communities to be Investigated
In collaboration with an NGO:

- Potential employers and job seekers in an underprivileged area (Example: Ain El-Seera)
- AUC Workers in Contracted and Subcontracted Services
- Communities around both AUC campuses and how labor markets were affected by AUC move
- AUC community of graduates or near graduates school-to-work transition

Broad learning outcomes
By the end of the course, students should be able to:

1) Explain, using the basic income-leisure model, the rationale for a backward-bending labor supply curve and to apply and extend the above model to understanding the phenomena of non-participation, under or over employment and work incentive of welfare programs.

2) Evaluate the importance of time in determining household consumption patterns as used in Becker’s model of the allocation of time and explain the determinants of participation rates over the business cycle for various demographic groups.

3) Identify and graphically depict the costs and benefits of investing in human capital and to distinguish between private and social benefits and costs of human capital investment.

4) Critically evaluate the Human Capital model and findings of empirical rate of return studies. Analyze factors leading to individual differences in investment in education.

5) Identify reasons why the official unemployment rate may misrepresent the true extent to which labor is underutilized. Distinguish between different types of unemployment and describe and analyze public policies that may be used to combat each type.

6) Analyze sources of wage differentials arising from differences in job or employer characteristics and distinguish them from those that arise from worker differences. Using the hedonic theory of wages, derive the expected observed relationship between wages and nonwage job attributes and explain how this influences the matching of workers and jobs.

7) Evaluate the various models of discrimination and analyze the empirical evidence regarding the effectiveness of anti-discrimination legislation and policies

Required Text Book
Reading Pack
Attached is a reading list, broken down by topics. While the class is responsible for the starred (*) material only for each class, the discussion leaders will be responsible to prepare and understand all the material listed for the topic. This material can be elaborated upon with additional research conducted by the presenters. The reading pack is available in the campus copy center, located by the entrance of Greek Campus at the Yousef al Guindy entrance. You will find it listed under the professor’s name and course number.

Assessment and Grading System:
- There will be two midterm exam on theory covered. Exam questions will be in the form of multiple-choice, problem solving, and/or graphical analysis - depending on the nature of the material covered.

- **CBL Component:** This assignment will take part in stages over the course of the course. It is expected that you will spend a minimum of 15 hours in the community in which you are studying. Based on your field research, you are encouraged to work in group and prepare a list of interview questions and research aims, and then seek approval of instructor.

- **Fieldwork exercise:** The purpose of the field trip or interviewing of potential employers at Ain El-Seera, AUC or some other location that is agreed on by the instructor, is to gather qualitative data to supplement available quantitative information on the subject chosen for the second take home essay.

  Upon completion of the field research, you will draw on your field notes as qualitative data to support your final take-home essay. This essay should synthesize your research with the theoretical elements of the course.

- Students will also be required to prepare a group mini-presentation (not necessarily a power-point based one) introducing the readings on one topic to the class. For this one topic, they will be the lead discussants cogently drawing from a careful and critical reading of the material in the reading pack, relating it to the theoretical material covered in the course and raising questions for further discussion. Success will be measured by ability to generate informed round table discussion.

Your final grade will be determined as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midterm Exam</td>
<td>30%</td>
</tr>
<tr>
<td>MCQ Quiz</td>
<td>10%</td>
</tr>
<tr>
<td>Take-Home Final Essays</td>
<td>30%</td>
</tr>
<tr>
<td>Report on Field Work (Annex to Final essay)</td>
<td>10%</td>
</tr>
<tr>
<td>Group Presentation on a topic from the Reading Pack</td>
<td>10%</td>
</tr>
<tr>
<td>Class Participation&amp; Attendance</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Letter grades are assigned as follows: A > 90%; A- > 87%; B+ > 85%; B>80%; B->75; C+>70; C>65; C->60; D+>55; D>=50 and F<50.
**Attendance, Participation and Class Policy:**
Attendance and class participation are extremely important to active learning. Students are required to attend all scheduled classes. Missing class and late entry may adversely affect students’ learning and performance in the course. Attendance will be taken at the beginning of each class; if you arrive after the attendance has been taken, you will be marked absent. Please be on time.

Students are expected to come to class fully prepared to answer random questioning and are encouraged to ask questions and/or raise issues for discussion. If a student is absent from a class for whatever reason, the student is responsible for all material covered, assignments given, and announcements made during missed class periods.

Please remember to **turn off** your cell phone before stepping into class. There will be absolutely no cell phones allowed during quizzes or exams. Make sure to bring your own calculator.

Medical excuses are only valid if they are from the AUC clinic and **at most 48 hours** from the end of the illness. **No medical excuses** are accepted on exam dates except in cases of hospitalization.
**Reading Pack**

NOTE: ** denotes required weekly reading, the others are highly recommended.

---

**I. Overview of MENA Labor Markets (Application of Chapter 1 and Chapter 2):**


---

**II. Female labor Force Participation (Application of Chapter 3)**

**3.a World Bank (2004), Women in the Middle East and North Africa "Ch.3: Women in the Economy"**

**3.b World Bank (2004), Women in the Middle East and North Africa "Ch.4: Constraints on Women's work"**


---

**III. Human Capital and Returns to Education (Application of Chapter 4).**


---

**IV. Structure of Demand and Determinants of Unemployment (Application of Chapters 5-6, 18)**


** 10. Assaad, Ragui (2008) "Why Does No One Believe that Unemployment Has Declined in Egypt?" mimeo, the Population Council**


---

**V. Segmentation, Segregation and Wage Inequality (Application of Chapters 8, 14 and 16)**


Essay Expectations

Each Essay should be about 1000 words (3-4 pages). The essays should be written in Times New Roman, 12 point font and should be doubled spaced.

The paper should have the following:
* A title
* A clear thesis statement
* Discussion of theories
* Critique of the theory as it used in analyzing the empirical facts
* Policy recommendations
* A conclusion
* Proper citations
  * Whichever method you use (in text, footnote, endnote) they should be correctly used and consistent throughout the paper
* A bibliography
* Appropriate Scholarly sources

Scholarly Sources include:
* JSTOR articles
* EconLit (a journal database that should be accessible through the university library site)
* Books
* www.un.org (the United Nations)
* www.imf.org (the International Monetary Fund)
* www.worldbank.org (the World Bank)
* www.ilo.org (International Labour Organization)
* Websites for government ministries

*** If you want to use additional websites, you must get them approved by either the Professor or the Teaching Assistant.***

Unacceptable Paper Formats and Inclusions:
* Plagiarism- is a serious offensive which can put you in front of the academic integrity board, and can lead to expulsion. **It is unacceptable under any circumstances.** The following are the most common but not the only forms that it takes.
  * If there are no citations or no bibliography
  * If you do not use quotation marks around direct quotes
  * If you paraphrase and do not cite
  * If you copy a portion of another source and change a couple of words and do not cite
* An essay like this should not include bullet points or outlines. Any information that you want to include in this manner, must be written out in paragraph form.
* You should have more than 4 sources for a paper of this length
* Do not use contractions in formal writing. (examples: isn’t, shouldn’t, wouldn’t etc.)
* Do not use words such as “nowadays” as this is colloquial and inappropriate for formal writing. Other colloquialisms that should be avoided are phrases that include the the word “I” such as “I guess”.
MARKING CRITERIA FOR ESSAYS PAPER

**Presentation: Clarity of Exposition and Correct Use of Sources (20% of the paper grade)**

**A:** Ideas are well-expressed. Answer structured clearly, with a good introduction and logical progression. Grammar and spelling are accurate. Sources are wide, relevant and thoroughly analysed. Correct use of in-text references and a comprehensive bibliography is attached.

**D:** Poorly structured, documented and communicated; Answer confused and lacks a coherent and logical framework. Several grammatical and spelling mistakes are present. Sources either not consulted or irrelevant to the research question. Referencing is absent or unsystematic, and no bibliography attached.

**Analytical Content: Methodology, Use of Theory and Supporting Evidence (60% of paper grade)**

**A:** Analytically sophisticated with a wide and deep knowledge of literature and a superior marshalling of evidence. Question is addressed comprehensively and imaginatively. Student was attentive to the research question throughout the essay. Theories well handled and correctly applied to question on hand. Sufficient conceptual and empirical evidence is given in support of the key arguments (summary tables/charts can be used). Conclusions and policy implications are analytically sound, stated clearly, and are well grounded in theory and substantiated by adequate evidence.

**D:** Little analytical technique or depth; evident omissions or misunderstandings; Failed attempt to address the question. Arguments lack supporting evidence. Argument shows no theoretical awareness or inappropriate choice and handling of theory. Conclusions and policy implications are unsubstantiated / invalid; based on anecdotes and sweeping generalisations.

**Originality of Argument: Evidence of Critical Thinking ( 20% of paper grade)**

**A:** Original ideas and/or synthesis of arguments presented in readings are offered. Critical analysis is applied.

**D:** Generally deficient in effort and/or argument. Answer merely repeats or summarizes readings and lecture and lacks critical thought.
<table>
<thead>
<tr>
<th>Date</th>
<th>Lecture</th>
<th>Topic</th>
<th>Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 13, 2011</td>
<td>1</td>
<td><strong>Introduction and Overview</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Introduction to the course, and the Labor Overview of Labor Economics Market</td>
<td></td>
</tr>
<tr>
<td>Feb 23, 2011</td>
<td>2</td>
<td><strong>Presentation one</strong></td>
<td>One</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Overview of MENA Labor Market</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Theory of Individual Labor Supply</strong></td>
<td>Two</td>
</tr>
<tr>
<td>Feb 27, 2011</td>
<td>3</td>
<td>Work-leisure basic model, Indifference curves</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget constraint and utility maximization</td>
<td></td>
</tr>
<tr>
<td>Feb 27, 2011</td>
<td>4</td>
<td>Wage rate changes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Backward bending supply curve, elasticity versus changes in labor supply</td>
<td></td>
</tr>
<tr>
<td>March 2, 2011</td>
<td>5</td>
<td>Applying and Extending the Model</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Income Maintenance programs and the welfare state</td>
<td></td>
</tr>
<tr>
<td>Mar 6, 2011</td>
<td>6</td>
<td>Population base</td>
<td>Three</td>
</tr>
<tr>
<td>Mar 9, 2011</td>
<td>7</td>
<td>Becker’s model and Participation rates</td>
<td></td>
</tr>
<tr>
<td>Mar 9, 2011</td>
<td>7</td>
<td>Female Labor Force Participation and Racial Differences</td>
<td></td>
</tr>
<tr>
<td>Mar 13, 2011</td>
<td>8</td>
<td><strong>Presentation two: Female Labor Force Participation</strong></td>
<td>Four</td>
</tr>
<tr>
<td>Mar 16, 2011</td>
<td>9</td>
<td>Concepts and Data &amp; Human Capital Model</td>
<td></td>
</tr>
<tr>
<td>Mar 23, 2011</td>
<td>10</td>
<td>Criticisms of Human Capital Model</td>
<td></td>
</tr>
<tr>
<td>Mar 27, 2011</td>
<td>11</td>
<td><strong>Presentation three</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Human Capital: Earnings &amp; Education</strong></td>
<td></td>
</tr>
<tr>
<td>Mar 30, 2011</td>
<td></td>
<td>Short-Run and Long-Run Demand for Labor</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Determinants of Demand and Market Equilibrium</td>
<td>Sections from 5</td>
</tr>
<tr>
<td>Apr 3, 2011</td>
<td>17</td>
<td>Definitions, Macroeconomic output and Employment Determination</td>
<td>18</td>
</tr>
<tr>
<td>Apr 6, 2011</td>
<td>18</td>
<td>Types of Unemployment, and Policies to Reduce Unemployment</td>
<td></td>
</tr>
<tr>
<td>Apr 10, 2011</td>
<td>19</td>
<td><strong>Presentation four</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Determinants of Unemployment</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Review for midterm</strong></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Lecture</td>
<td>Topic</td>
<td>Chapter</td>
</tr>
<tr>
<td>------------</td>
<td>---------</td>
<td>-----------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
</tbody>
</table>
| Apr 13, 2011 | 20      | Midterm  
Receive questions for essay exam  
Discuss Preparations for Fieldwork |             |
| Apr 27, 2011 | 21      | Optional Fieldtrip to Rehab City and/or 'Alashanek ya Balady' and 'Ein El-Seera' |             |
| May 4, 2011  | 22      | The Wage Structure of Discrimination  
Perfect Competition: Homogenous Workers and Jobs | 8 & 14      |
| May 8, 2011  | 23      | Wage Structure: Observed Differentials |             |
| May 11, 2011 | 24      | Wage Differentials: Heterogeneous Jobs and Workers |             |
| May 15, 2011 | 25      | Wage Differentials: Labor Market Imperfections |             |
| May 11, 2011 | 25      | Gender Discrimination and Models  
Discussion of progress on fieldtrip work |             |
| May 18, 2011 | 27      | Presentation five  
Segmentation, Discrimination and Wage Inequality |             |
| May 24, 2011 | 28      | MCQ quiz on Chs 8&14 |             |
|             |         | Take-home essay exam due |             |
Topics for Lead Discussant Presentations and Individual Essays

Please Choose ONE topic and prepare an initial 10-15 minutes presentations with reference to either the Middle East North Africa (MENA) Region, OR just Egypt OR a comparison of two MENA countries of your choice. Prepare 2-3 questions for Further Discussion

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>DATE</th>
<th>PRESENTER NAMES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Overview of MENA Labor Markets (Readings1&amp;2)</td>
<td>Feb 23, 2011</td>
<td></td>
</tr>
<tr>
<td>2. Female Labor Force Participation (Readings3-5)</td>
<td>Mar 13, 2011</td>
<td></td>
</tr>
<tr>
<td>4. Determinants of Unemployment (Readings 8-11)</td>
<td>Apr 10, 2011</td>
<td></td>
</tr>
</tbody>
</table>

OTHER IMPORTANT DATES:

MIDTERM on Sunday April 13th

OPTIONAL FIELDTRIP on Sunday April 27th

MCQ QUIZ on Wednesday May 18th

TAKE HOME ESSAY EXAM DUE on Tuesday May 24th