ECONOMICS OF HUMAN RESOURCES

Spring 2005
ECON 430 (001)
TR 12:00 -1:15
Kuykendall Hall 310

Professor SH Lee

Course Outline

Most of us will allocate a substantial time to work. How we do in the labor market helps determine our wealth, the types of goods we can afford to consume, who we associated with, where we vacation, which schools our children will attend, and even the types of persons who find us attractive. Wages will also vary among workers because their skills are different. Workers who invest a lot of schooling are willing to give up earnings today in return for higher earnings in the future.

How does business decide how many people to employ? What determines who chooses to work, and who does not? How do people obtain the skills that make them productive at work? What characteristics make it more or less likely that workers will change locations or jobs? How do nature of technology and the tastes of workers interact to generate the wage differentials? How do earnings differ among families and individuals?

Economics of Human Resources tries to answer these questions. This course aims to present an analysis of the main areas in human resources and labor economics. Topics to be covered include labor demand and supply, human capital model, migration and mobility, wage differential and discrimination, and labor unions. There is a fairly emphasis on the theory, empirical evidences, and policy issues that are associated with the each area.

Text

Grading
1 mid-term exam 30 x 1 = 30%
1 final exam 45 x 1 = 45%
8 homework, case study analyses, and attendance 25%

There will be one midterm exam and one final exam. The mid-term exam will count for 30% and the final exam will count for 45% of the final grade. Eight homework assignments, case study analyses (attached handouts), and class attendance will count for 25% of the final grade. Those homework assignments are designed to help you prepare
more effectively for the exams. Those homework assignments are due at the beginning of the class.

Unless otherwise notified, there will be no makeup exams. If you cannot take the exam on the scheduled time, you should contact me at least a week in advance to schedule a makeup exam. You will receive grade 0.0 if you miss either the mid-term or final exam. The mid-term exam will be at our regular class time. The final exam is scheduled at 12:00-2:00, May 10 (Tuesday). The final exam is cumulative.

**Help**  
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**Topics**

1. Overview of the Labor Market (Ch. 2)  
   - Definitions  
   - Demand for labor and supply of labor  
   - Determination of wage

2. Demand for Labor (Ch. 3, 4, 5)  
   - Short-run  
   - Long-run  
   - Monopsony firm’s behavior  
   - Payroll tax and other policy applications  
   - Wage elasticity  
   - Minimum wage laws

3. Supply of Labor (Ch. 6, 7)  
   - Decision to work  
   - Income and substitution effects  
   - Transfer payments and fixed cost  
   - Household production  
   - Effect of child care  
   - Labor force participation patterns by age and sex

4. Investment in Human Capital (Ch. 5, 9)  
   - Schooling investment model  
   - Measuring returns to schooling  
   - Difficulties (signaling, quality, etc.)  
   - General vs. specific training

Midterm exam
5. Worker Mobility, Unemployment, and Migration (Ch. 10, 15)
   - Migration decision (individual and family)
   - Turnover
   - Job search
   - Vacancies and unemployment

6. Wage Structure (Ch. 8, 11)
   - Compensating wage differentials
   - Employee benefits
   - Effort, productivity, and pay
   - Efficiency wages

7. Gender and Race in Pay (Ch. 12)
   - Theories of discrimination
   - Measuring discrimination

8. Unions (Ch. 13)
   - Union structure
   - Theory of collective bargaining
   - Effects of unions

Final exam