EC423 Labour Economics, 2007-2008

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The aim of this course is to acquaint students with current theoretical and empirical topics of labour economics and to encourage the development of independent research interests. The course will address a number of aspects of the wage distribution and unemployment, with emphasis on the role of institutions and policy. The course has a strong applied focus. For each major topic covered we will derive testable implications, provide insights into the research methodology, discuss the advantages and limitations of existing empirical work, and draw policy conclusions.

Course details

The course website is at http://econ.lse.ac.uk/courses/ec423/.

Lectures will be on Mondays during Michaelmas and Lent terms, 11:00-13:00. Interested students are also welcome to the weekly meetings of the Labour Economics Seminar on Fridays, 11:30-13:00 (EC531), and to Labour Economics Workshop on Tuesdays, 12:45-14:00.

Assessment will be based on a three-hour written examination in Summer Term. Additionally, students taking MSc Economics or MSc Econometrics and Mathematical Economics will be required to submit an extended essay at the beginning of the Summer Term; for such students the written examination and the extended essay will each count for half of the marks.

There is no set text for the course but the following books are a useful reference for most of the topics covered:


Readings marked with (*) are required and will be covered in detail in lectures. Lecture notes/slides will be provided at the start of the course. All material is available online on Moodle.
References - Michaelmas Term (Barbara Petrongolo)

1. Overview of modern labor markets: frameworks and facts


2. Unions and wage setting


3. Efficiency wages and economic incentives


4. Search frictions.


• *C. A. Pissarides. Equilibrium Unemployment Theory, 2nd Edition, Basil Blackwell, 2000 (esp. chapters 1, 2 and 8) (CC HD5707.5 P67)


• *A. Manning, Monopsony in Motion, chapter 4.


5. Employer wage differentials.

• P. Cahuc and A. Zylberberg (2004), chapter 5.


• *A. Manning, Monopsony in Motion, chapter 8.


6. Unemployment compensation and welfare reforms


7. Employment protection


8. Training: Government programs and firm provision


