

Labor Markets in the EU

Taught by Mariola Pytliková, PhD
as part of the program
International Economics and Finance (IEF)

Background of the course, aims and learning outcomes:

This course provides an international comparative perspective on the analysis of contemporary labor markets in Europe. The European markets are characterized by the presence of many labor market institutions with systems of laws and programs that shape behaviour of individual workers and employers, and rarely operate in isolation. In this course, we will pay systematic attention to labor market institutions and labor market policies in the European context. We will discuss the particular important labor market institutions and policies, explain motivation for their establishment and formation from a historical perspective, as well as we will apply labor economics to explain and empirically evaluate the labor market effects of institutions and policy changes. We will consider policy-makers' questions on for instance minimum wages, unemployment benefits and flexicurity, educational programs, family policies, retirement programs or immigration and integration policies.

The aim of the course is:

- (i) to provide an overview of the existing labor market institutions and policies across the EU countries, and provide understanding of the motivation behind their formation as well as an overview of theoretical and empirical approaches in addressing the major policy-makers' questions related to the institutions;
- (ii) to help students to develop intuition and skills in applying microeconomic analyses to study important contemporary labor economics issues;
- (iii) to make students familiar with common research resources, standards of practice and approaches in the field;
- (iv) to guide students through own empirical research and report writing.

As for learning outcomes, first, the students will gain methodological skills. By studying the link between the economic theory and empirical testing, and by applying methods of empirical research, the students will gain a critical understanding of how economic facts become established and how policy recommendations are being formed. This will teach them about the use of empirical testing and evidence in discussions of different labor economic issues. Second, the students by writing the term paper based on critical literature review and descriptive statistics will learn to write in a way that integrates the economic theory, the findings in the empirical literature and discussion of important economic policies and social issues, as well as will practice working with data. Thirdly, the course will train the students further in their oral presentation and critical thinking skills when presenting their term paper and giving a feedback to fellow students, since there will be presentations of students at the mini-conference and discussions of their term-papers.

Lecturer

Mariola Pytliková, PhD, is assistant professor of economics at CERGE-EI. She graduated from the University of Aarhus and has been research visitor at the University of Illinois (Chicago) and at Princeton University.

Requirements and grading

Grades will be based on student's performance in the final exam (50%), a term paper i.e. a written assignment based on combination of critical literature review and descriptive evidence (40%) and presentation of the term paper at mini-conference (10%).

The aim of the term paper is to make students familiar with writing reports based on a carefully conducted academic literature review and descriptive statistical analyses on a topic of their own choice. The term paper is expected to be written by a team of two (max three) students. Thus, the aim of the term paper is also to improve students' experience with working in teams. Students will present their papers at a "mini-conference", during which they will collect comments from teachers and other fellow students and discussants assigned to each term paper. The comments are aimed to improve the students' final term paper, upon which they are going to be graded.

At the end of the term, cumulative points will be converted into grades by the following scheme:

Letter Grade	Percentage	Description
A	93-100	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

Study materials

Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition, Princeton University Press.

Ehrenberg R.G., Smith R.S. and K.F. Hallock: *Modern Labor Economics: Theory and Public Policy*, 14th edition.

Supplemented with academic articles, see below.

Academic Integrity Policy

Plagiarism and other forms of academic dishonesty are not tolerated.

UPCES/IEF Non-Discrimination/Harassment Policy

The UPCES/IEF 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 characteristic, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

UPCES/IEF Diversity Policy

UPCES/IEF fully embraces diversity and strives to create a safe and welcoming environment for students from all backgrounds. Prague is a wonderfully diverse community and UPCES/IEF is no different. All students should feel at home while studying abroad and UPCES/IEF will do its utmost to make sure that becomes a reality. Although unique challenges may arise, we believe that students from all walks of life will encounter wonderful opportunities for enrichment as they explore a new culture while studying abroad.

Schedule of classes

Week #1: Orientation week

- ✓ Introductory Lectures and Prague tours.

Week #2: Overview of the course and Introduction to Labor Economics

- ✓ Outline of the course, research paper assignments and course requirements
- ✓ Introduction: key concepts, labor demand and supply interaction, imperfect labor markets, labor market institutions

Reading List:

Chapter 1: Overview; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Week #3: Labor markets in the EU: Differentials on the Labor markets; Discrimination and anti-discrimination legislation

- ✓ Differentials on labor market by gender and ethnicity – introduction and some trends across the EU countries
- ✓ Explaining differences on labor market –an overview
- ✓ Discrimination – theory and empirical evidence
- ✓ Policy Issues

Reading List:

Patricia Cortes and Jessica Pan (2018): "Occupation and Gender", *Oxford Handbook on the Economics of Women*, ed. Susan L. Averett, Laura M. Argys and Saul D. Hoffman.
https://www.dropbox.com/s/nl5ru893jyum7ff/Cortes_Pan_Mar2017_Handbook.pdf?dl=

Chapter 4: Anti-Discrimination Legislation; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Blau, Francine, and Lawrence Kahn (2017) "The gender wage gap: Extent, trends, and Explanations" *Journal of Economic Literature*, vol 55(3), pages 789-865.

Lang & Lehmann, 2012. "Racial Discrimination in the Labor Market: Theory and Empirics," *JEL*, vol. 50(4), pp. 959-1006

Week #4: Human capital, education and training

- ✓ Measures and Cross-Country Comparisons
- ✓ Estimating the Returns to Schooling
- ✓ On-the-Job Training
- ✓ Policy Issues

Reading List:

Chapter 8: Education and Training; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Chapter 9: Investments in human Capital Education and Training; Ehrenberg, Smith and Hallock (2021): *Modern Labor Economics: Theory and Public Policy*, 14th Edition

Week #5: Family and work; Family policies

- ✓ Measures and Cross-Country Comparisons
- ✓ Parental Leave and Childcare
- ✓ Policy Issues

Reading List:

Chapter 7: Family Policies; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Kleven, Henrik, Camille Landais, Johanna Posch, Andreas Steinhauer, and Josef Zweimüller. 2019. "Child Penalties across Countries: Evidence and Explanations." *AEA Papers and Proceedings*, 109: 122-26. DOI: 10.1257/pandp.20191078

Ludsteck, Johannes; Schönberg, Uta (2014): Expansions in maternity leave coverage and mothers' labor market outcomes after childbirth. *Journal of Labor Economics*, Vol. 32, No. 3, S. 469-505.

**Week #6: International migration: Migration determinants: why do people migrate?
Selectivity in Migration: who migrates?**

- ✓ Main Concepts
- ✓ Trends in International Migration
- ✓ Why do people migrate? Determinants of Migration
- ✓ Who migrates? Selectivity in Migration

Reading List:

Bansak, Simpson and Zavodny (2021): *The Economics of Immigration*, Part I, Chapter 1: Patterns of International Migration and Chapter 3: Determinants of Immigration

Bansak, Simpson and Zavodny (2021): *The Economics of Immigration*, Part II, Chapter 4: Selection in Immigration

Adserà, Alicia and Mariola Pytliková (2015): "[The Role of Language in Shaping International Migration](#)". *Economic Journal*, Vol. 125, Issue 586, pp. F49-F81. August 2015.

Week #6: Immigrant assimilation and integration; Impacts of Immigration and Ethnic Diversity; Immigration and integration policy

- ✓ Labor Market Effects of Immigration
- ✓ Assimilation, Integration and the Second Generations
- ✓ Other Effects of Migration and Ethnic Diversity
- ✓ Immigration and Integration Policies

Reading List:

Bansak, Simpson and Zavodny (2021): *The Economics of Immigration*, Part II, Chapter 5: Assimilation

Brell, Dustmann and Preston (2020): "The Labor market Integration of Refugee Migrants in High-Income Countries" *Journal of Economic Perspectives*, Vol. 34, No 1, Winter 2020, Pages 94-121.

Parrotta, P., Pozzoli, D. and M. Pytlikova (2014): "The Nexus between Labor Diversity and Firm's Innovation." *Journal of Population Economics*. Vol. 27 (2), pp 303-364.

Bansak, Simpson and Zavodny (2021): The Economics of Immigration, Part IV, Chapter 14: Immigration Policy around the World.

Chapter 9: Migration Policies; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Week #7: Minimum wages; Unions and wage bargaining, wages and employment.

- ✓ Cross-Country Comparisons
- ✓ Impacts of Introducing and Increasing Minimum Wages – Empirical Evidence
- ✓ Effects of Collective bargaining and unions – empirical evidence
- ✓ Policy Issues

Reading List:

Chapter 2: Minimum wages; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition;

Dustmann, Christian., Lindner, A., Schönberg, U., Umkehrer M. and vom Berge, P. (2021): “Reallocation Effects of the Minimum Wage”, *The Quarterly Journal of Economics*, <https://doi.org/10.1093/qje/qjab028>

Eriksson, T. and M. Pytlikova (2004): "Firm-level Consequences of Large Minimum Wage Increases in the Czech and Slovak Republics". *Labour*. Vol. 18, No.1, pp. 75-103

Chapter 3: Unions and Collective Bargaining; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Week #8 – the mid-term week: MINI-CONFERENCE

- ✓ Presentations of Drafts of Term Papers at our Mini-Conference
- ✓ Discussants present their constructive feedback to fellow-students
- ✓ General Discussion - a feedback from the lecturer and the audience

Week #9: Wage Structures and Income inequality

- ✓ Measures and Cross-Country Comparisons
- ✓ Factors responsible for inequality – empirical evidence
- ✓ Policy Issues

Reading List:

Chapter 15: Inequality in Earnings; Ehrenberg R.G., Smith R.S. and K.F. Hallock: *Modern Labor Economics: Theory and Public Policy*, 14th edition.

John Van Reenen, Guy Michaels and Ashwini Natraj (2014): ” [Has ICT Polarized Skill Demand?](#) ”

[Evidence from Eleven Countries over 25 Years](#), *Review of Economics and Statistics* Vol. 96, No. 1, 60-77.

Bell, B. & Van Reenen, J. (2014) "Bankers' pay and extreme wage inequality in the UK", *Economic Journal* [Volume 124, Issue 574](#), pp F1–F21, February 2014.

Journal of Economic Perspectives (2013): Special Issue on The Top 1%
<http://www.aeaweb.org/articles.php?doi=10.1257/jep.27.3>

Van Reenen, J. (2011) "Wage Inequality, Technology and Trade: 21st Century evidence", *Labour Economics* <http://cep.lse.ac.uk/pubs/download/occasional/op028.pdf>

Eriksson, T., Pytlikova, M. and F. Warzynski (2013): "Increased Sorting and Wage Inequality in the Czech Republic: New Evidence Using Linked Employer-Employee Dataset." *Economics of Transition*, Vol. 21, Issue 2, pp. 357-380. DOI: 10.1111/ecot.12014.

Chapter 14: Payroll Taxes; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition;

Week #10: Retirement and Aging, Early Retirement Plans

- ✓ Measures and Cross-Country Comparisons
- ✓ Empirical Evidence
- ✓ Policy Issues

Reading List:

Chapter 6: Early Retirement Plans; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition.

Bratsberg, Holmås and Thøgersen (2004): "Assessing the effects of an early retirement program" *Journal of Population Economics* 17, pp. 387-408

Raj Chetty, John N. Friedman, Søren Leth-Petersen, Torben Heien Nielsen and Tore Olsen (2014): "Active vs. Passive Decisions and Crowd-Out in Retirement Savings Accounts: Evidence from Denmark", *The Quarterly Journal of Economics*, Volume 129, Issue 3, August 2014, Pages 1141–1219, <https://doi.org/10.1093/qje/qju013>.

Week #11: Unemployment and Active Labor Market Policies; Self-employment

- ✓ Measures and Cross-Country Comparisons
- ✓ Empirical Evidence
- ✓ Policy Issues

Reading List:

Chapter 11: Regulations on Self-Employment; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Chapter 12: Unemployment Benefits and Active Labour Market Policies; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Week #12: Sickness, Disability and Absenteeism

- ✓ Cross-Country Comparisons of Health-Related Labor Policies
- ✓ Sickness and Disability - Empirical Evidence
- ✓ Policy Issues

Reading List:

Chapter 13: Health-Related Labor Policies; Boeri, T. and J. van Ours (2021), *The Economics of Imperfect Labor Markets*, 3rd edition

Week #13: Final exam

- ✓ Written Final Exam with non-technical Essay-Type Questions (90min)

Detailed information, announcements, lecture materials (readings, links, lecture handouts, etc.) and details about assignments and exercise sessions will be made available in advance via course web page.