

Course Title	:	Labour Market and Education Policy
Course Code	:	ECO315
Recommended Study Year	:	Second/Third year
No. of Credits/Term	:	3
Mode of Tuition	:	Lecture-Tutorial
Class Contact Hours	:	2 hours/week for lecture and 1 hour/week for tutorial
Category in Major Prog.	:	Stream elective
Discipline	:	Economics

Brief Course Description:

This course provides students with an introduction to the economics of education. It analyses the roles of government policies in the areas of education, with reference to the current policy debate in Hong Kong on these matters.

Aims:

It aims to provide students with the fundamental theoretical and empirical knowledge about why and how education investment is carried out by individuals and society. It also intends to equip students with the basic tools to analyze education policies.

Learning Outcomes:

Upon the completion of this course, students will be able to:

1. explain the basic concepts and theories in labour economics;
2. identify when and why some of the major government policies are needed in the areas of labour market and education;
3. understand and evaluate the current labour market and education policies in Hong Kong;
4. participate in debate and communicate clearly in presentation and group projects.

Assessment of Learning Outcomes:

1. Two quizzes (10% each) and one final examination (60%) to test student understanding of basic concepts and theories
2. One group presentation (10%) on current policies and issues to evaluate student understanding on policies and ability to analyze policies
3. Participation in tutorial discussions (10%) is required to encourage both continuous learning and effective communication skills.

Good Practices:

1. All lecture notes will be provided online one week before the lecture.

2. Students will be encouraged to use online teaching evaluations to give constant feedbacks.
3. The correct answers to the quizzes will be explained and feedbacks on student performance will be given within 3 weeks after the quizzes.

Indicative Contents:

Week 1: Human capital concepts

Polachek & Siebert, Ch 1,2.

MaMahon, W.W. (1998). "Conceptual Framework for the Analysis of the Social Benefits of Lifelong Learning." *Education Economics*, 6(3), pp.309-46.

Week 2: Schooling

Ehrenberg & Smith, Ch 9 (Section I & II)

Polachek & Siebert, Ch 3.

Card, David (1999). The Causal Effect of Education on Earnings. In: Orley Ashenfelter, David Card (eds.). [Handbook of Labor Economics, Volume 3A](#). Elsevier, Amsterdam et al.: 1801-1863.

Plug, Erik J.S., Wim Vijverberg (2003). Schooling, Family Background, and Adoption: Is It Nature or Is It Nurture? *Journal of Political Economy* 111 (3): 611-641.

Psacharopoulos, George and H.A.Patrinou (2002). "Returns to Investment in Education: A Further Update". http://econ.worldbank.org/files/18081_wps2881.pdf

Week 3: Schooling quality and educational production

Card, David and Krueger, Alan (1996). "Labor market effects of school quality: theory and evidence", NBER Working Paper No. 5450.

Hanushek, Eric A. (2003a). The Failure of Input-Based Schooling Policies. *Economic Journal* 113 (485): F64-F98.

Wößmann, Ludger (2003a). Schooling Resources, Educational Institutions, and Student Performance: The International Evidence. *Oxford Bulletin of Economics and Statistics* 65 (2): 117-170.

Week 4: Post-school investment: Training

Ehrenberg & Smith, Ch 5 (Section III) and Ch 9 (Section III)

Polachek & Siebert, Ch 4.

Acemoglu, Daron and Jorn-Steffen Pischke (1999a) "Beyond Becker: Training in Imperfect Labour Markets," *Economic Journal*, 109(453): F112-142.

Brown, C. (1990). "Empirical Evidence on Private Training", *Research in Labor Economics*, 11, J.A.I. Press: pp97-113. Also in Ashenfelter, O.C. & LaLonde, R.J. (eds) *The Economics of Training*, Volume II, Edward Edgar Publishing Ltd. 1996.

LaLonde, R.J. (1995). "The Promise of Public Sector-Sponsored Training Programs", *Journal of Economic Perspectives*, 9(2): pp149-68.

Week 5: Human capital vs. signaling model of education

Ehrenberg & Smith, Ch 9 (Section IV)

Heywood, John and Xiangdong Wei (2004). "Education and the Signalling Hypothesis: Evidence from a Highly Competitive Labor Market", *Education Economics*, 12(1):pp1-16.

Weiss, Andrew (1995). "Human Capital vs. Signaling Explanations of Wages", *Journal of Economic Perspectives*, 9(4): pp133-154.

Week 6: Human capital investment and economic growth (Quiz 1)

Hicks, N.L. "Education and Economic Growth", in Carnoy.

Krueger, Alan B., Mikael Lindahl (2001). "Education for Growth: Why and For Whom?" *Journal of Economic Literature* 39 (4): 1101–1136.

Temple, Jonathan. (2001). "Growth Effects of Education and Social Capital in the OECD Countries", OECD Economic Studies, No.33.

<http://www.ecn.bris.ac.uk/www/ecjrw/abstracts/Article2ES33.pdf>

Week 7: The role of government in human capital investment

Lott, John R., Jr (1987). "Why is Education Publicly Provided? A Critical Survey", *Cato Journal*, 7(2): pp475-501. (Also in Blaug)

Week 8: Equity and efficiency of education policy

Jimenez, Emmanuel (1986). The Public Subsidization of Education and Health in Developing Countries: A Review of Equity and Efficiency. World Bank Research Observer 1 (1): 111-129.

Oosterbeek, Hessel (1998). "Innovative Ways to Finance Education and Their Relation to Lifelong Learning", *Education Economics* 6 (3): 219-251.

Week 9: Labour market and pay determination

Ehrenberg & Smith, Ch 3 and Ch 4 (Section III)

Week 10: Payment schemes and productivity

Ehrenberg & Smith, Ch 11

Lazear, E.P. (1992). "Compensation, Productivity, and the New Economics of Personnel." in *Research Frontiers in Industrial Relations*, ed. David Lewin, Olivia S.Mitchell, and Perter D.Sherer, Madison, Wis.: Industrial Relations Research Association.

Rebitzer, J.B. (1993). "Radical Political Economy and the Economics of Labor Markets", *Journal of Economic Literature*, 31(3): pp1405-1429.

Week 11: Work mobility and human capital investment (Quiz 2)

Ehrenberg & Smith, Ch 10

Grubel, H.G. "Economics of Brain Drain", in Carnoy.

Borjas, G. (1994). "The Economics of Immigration", *Journal of Economic Literature*, 32(4): pp1667-1717.

Week 12: Labour market discrimination

Ehrenberg & Smith, Ch 12

Ho, Lok-Sang, Wei, Xiangdong & Voon, Thomas (1999). "Age Discrimination in the Labour Market: Facts or Fiction", *International Employment Relations Review*, 5(1), pp.43-61.

Sung, Yun-Wing, Zhang, Junsen and Chan, Chi-shing (2001). "Gender Wage Differentials." *Pacific Economic Review*, 6(3):pp345-60.

Teaching Method:

The teaching of this course takes forms of lectures and tutorials. Lectures are delivered by the lecturer. An outline of each lecture will be made available to students in advance. Apart from lectures, each week there will be a one-hour tutorial. In tutorials, students are required to form a small group (2-3 people) and each group will be responsible for a 20 minutes presentation in one tutorial and a 15 minutes comment on others' presentation in another tutorial. All students are encouraged to express their views in tutorials and good performance will be awarded extra marks towards the total mark.

Required/Essential Readings:

Enrenberg, R. and R.Smith (2008). *Modern Labor Economics*, 10th ed, Addison-Wesley.
Polachek, S.W. and W.S.Siebert (1993). *The Economics of Earnings*, Cambridge University Press.

Recommended/Supplementary Readings:

Belfield, C.R. (2000). *Economic principles for education: theory and evidence*, Edward Elgar.

Blaug, Mark. (1992). *The Economic Value of Education*, Edward Elgar.

Carnoy, M. 1995. *International Encyclopedia of Economics of Education*, 2nd ed. Pergamon.

Suen, Wing (1997). *Labour Market in a Dynamic Economy*, Hong Kong Economic Policy Studies Series, City University of Hong Kong.

Lecturer:

Professor WEI Xiangdong (Office: SO313; Tel. 26167205; Email: xdwei@ln.edu.hk)
Office hours: Wed. 14:30-16:30; Thur. 14:30-16:30.

Tutorial Schedule and Topics:

Tutorial 1: (week 2)

Introduction and presentation group formation

Tutorial 2: (week 3)

Review of present value formula and internal rate of return

Tutorial 3: (week 4)

Discuss the potential benefits and costs associated with human capital investment.

Tutorial 4: (week 5)

Discuss the problems researchers experience when estimating the returns to human capital.

Tutorial 5: (week 6)

How and to what extent does the quality of school matter for education?

Tutorial 6: (week 7)

Discuss why or why not firm provide general skill training.

Tutorial 7: (week 8)

Discuss Quiz 1

Tutorial 8: (week 9)

“Education is indeed associate with increased earnings, and perhaps even with increased productivity, but it does not cause them.” Comment.

Tutorial 9: (week 10)

What are the pros and cons of recently implemented voucher system for kindergarten education in Hong Kong?

Tutorial 10: (week 11)

What are the main pros and cons of a minimum wage policy?

Tutorial 11: (week 12)

Discuss Quiz 2

Tutorial 12: (week 13)

Revision