

Labour Market Policies (27 hours, Second Term)

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Course Overview:

This course explores the determination of wages and employment within imperfect labour markets, focusing on some features that traditional supply-demand frameworks often fail to fully explain, particularly in relation to persistently high levels of unemployment in many economies. A significant portion of the course will be dedicated to understanding the search and matching theory, which provides one of the main alternative perspectives to the standard labour market models.

The course will examine important topics related to the working of the labour market, such as individual search behaviour, the matching process between workers and firms, wage-setting policies and wage bargaining, equilibrium unemployment, job destruction, the efficiency of the labour market,. The course will also explore the implications of these topics for labour market policies and institutions, assessing how different approaches can shape labour market outcomes.

Learning Objectives:

By the end of this course, students will be able to:

- Understand and apply the search and matching theory to various topics
- Analyse wage determination processes in imperfect labour markets and understand their consequences.
- Assess the factors contributing to equilibrium unemployment and job destruction.
- Critically examine the role of labour market policies and institutions in influencing employment/unemployment outcomes.

Prerequisites:

The course is designed to be self-contained. However, a background in intermediate microeconomics and a familiarity with intermediate-level mathematical tools will be helpful for understanding the theoretical models and quantitative aspects discussed in the course. Some knowledge of econometrics will also help to understand the results of existing empirical evaluations.

Evaluation:

- **Midterm Exam: 50%**
- **Final Exam : 50%**

Plan:

- Chapter 1 : Job search and unemployment insurance
- Chapter 2: The canonical matching model: equilibrium and efficiency of the labour market
- Chapter 3: extensions of the canonical model: job destruction, alternative bargaining setups, competitive search, large vs small firms

Bibliographical references:

P. Cahuc, S. Carcillo and A. Zylberberg, Labor Economics, 2nd edition, MIT Press, 2014.

Main chapters:

- Job search (chapter 5).
- The search and matching model (chapter 9).

+mathematical appendix of the book

Complements on various topics:

- Efficiency wage (Chapter 6)
- Collective bargaining (Chapter 7)
- Technological progress and unemployment (chapter 10, section 1).
- Technological progress and inequality (chapter 10, section 2).
- Minimum wage (chapter 12, section 2).
- Unemployment insurance (chapter 13, section 1)
- Employment protection (chapter 13, section 2)
- Training, employment subsidies, and job search assistance (chapter 14)