

Contents

Part I	Introduction	1
Chapter 1	Introduction to labour economics	3
	1 Introduction	3
	2 Some peculiarities of labour as a factor of production	3
	3 Structure and content of the book	5
	4 Conclusions	6
	References	6
Part II	Labour supply	7
Chapter 2	Introduction to labour supply	9
	1 Introduction	9
	2 Dimensions of labour supply	9
	3 Decision-making units	11
	4 Search and labour supply	12
	5 Aggregate labour supply	13
	6 Aggregate labour supply in the long run	17
	7 Conclusions	18
	References	19
Chapter 3	Individual labour supply	20
	1 Introduction	20
	2 Short-run labour supply; theoretical framework	20
	3 Participation	23
	4 Short-run occupational choice	25
	5 Hours of work	26
	6 Taxation, transfers and labour supply	32
	7 Long-run occupational choice and human capital investment	34
	8 Job search and labour supply	36

9	Conclusions	41
	References	41
Chapter 4	Extensions to the theory of labour supply	43
1	Introduction	43
2	Household production and labour supply	43
3	Family models	54
4	Life-cycle models	59
5	Conclusions	63
	References	63
Chapter 5	Empirical evidence on labour supply	66
1	Introduction	66
2	Historical trends in labour supply	66
3	From theory to empirical models	68
4	Methodological issues in the estimation of labour supply functions	70
5	Recent empirical findings	72
6	Taxes and labour supply	73
7	Dynamic models	75
8	Summary	77
	References	79
Part III	Labour demand	81
Chapter 6	Introduction to labour demand	83
1	Introduction	83
2	Short run and long run	83
3	Firm and market demand for labour under perfect competition	84
4	Demand for labour under different market structures	85
5	Further extensions of the theory of labour demand	85
6	Technological change and labour demand	85
7	Conclusions	85
Chapter 7	Demand for labour under perfect competition	87
1	Introduction	87
2	Technology of production	87
3	Equilibrium of the firm	94
4	The demand for labour by the firm under perfect competition	96
5	Elasticity of labour demand: Marshallian Rules	104
6	Conclusions	106
	References	106

Chapter 8	Labour demand under different market structures	107
1	Introduction	107
2	Profit maximization in non-competitive product markets	107
3	Oligopoly	111
4	Types of organization, goals of the enterprise and labour demands	115
5	Conclusions	122
	References	123
Chapter 9	Further extensions to the theory of labour demand	124
1	Introduction	124
2	Employment and hours	124
3	Work patterns and the demand for labour services	129
4	Demands for different types of labour	133
5	Discrimination and labour demand	135
6	Conclusions	137
	References	138
Chapter 10	Technological change and labour demand	139
1	Introduction	139
2	Some important definitions	139
3	Dynamic activities and the demand for labour	140
4	Employment consequences of technological change at the firm level	142
5	Impact of technological change at the industry level	146
6	Impact of technological change at the economy level	149
7	Conclusions	151
	References	152
Chapter 11	Demand for labour services: empirical evidence	153
1	Introduction	153
2	Measurement, data and specification	153
3	Non-stochastic estimates of demand	155
4	Single-equation models	159
5	Adjustment costs and lags	162
6	Inter-related factor demand models	164
7	Flexible functional forms	166
8	Key parameter estimates: a summary	168
9	Conclusions	170
	References	171

Part IV	Operation of labour markets	173
Chapter 12	Introduction to equilibrium, disequilibrium and adjustment	175
1	Introduction	175
2	Existence and classification of a labour market	175
3	Issues of aggregation	180
4	Identification of labour supply and demand schedules	180
5	User cost, earnings and the market outcome	182
6	Conclusions	183
	References	184
Chapter 13	Static equilibrium under different market structures	185
1	Introduction: aims and scope	185
2	Perfect competition	185
3	Monopsony	187
4	Monopoly	189
5	Bilateral monopoly	190
6	Oligopolistic market	192
7	Conclusions	193
	References	193
Chapter 14	The dynamics of equilibrium, disequilibrium and adjustment	194
1	Introduction	194
2	Internal sources of adjustment in the labour market	194
3	Interaction of internal and external labour markets	198
4	Types of shortages in external labour markets	198
5	General models of the labour market	203
6	Employment and other forms of adjustment	205
7	Conclusions	206
	References	207
Part V	Human capital	209
Chapter 15	Introduction to human capital	211
1	Introduction	211
2	Skills base	211
3	Cyclical and secular shortages and skill gaps	213
4	Training and other dynamic investments	218
5	Skill shortages and dynamic investments	219
6	Role of education and training	220
7	Market for training: imperfections and failure	220

8	Government intervention	222
9	Conclusions	222
	References	222
Chapter 16	Human capital and the private returns to education and training	223
1	Introduction	223
2	Investment decisions	223
3	Earnings functions and returns to education and training	227
4	Firm investment in education and training	233
5	Conclusions	236
	References	237
Chapter 17	Human capital, social rates of return and government intervention	239
1	Introduction	239
2	Market-level issues	239
3	Private and social rates of return to education and training	243
4	Evaluation of government education and training schemes	249
5	Conclusions	251
	References	251
Part VI	Employment relationships	253
Chapter 18	Models of the employment contract	255
1	Introduction	255
2	Institutional approaches and internal labour markets	255
3	Implicit contracts	256
4	Incentive problem	257
5	Efficiency wages	259
6	Conclusions	260
	References	260
Chapter 19	Institutional analysis of the employment relationship: internal labour markets and the transaction costs approach	262
1	Introduction	262
2	Institutional analysis of wage determination: an example	263
3	Internal labour markets	263
4	Transaction costs and internal labour markets	271
5	Internal labour markets: a synthesis	275
6	The Japanese lifetime employment system	276
7	Conclusions and summary: status and influence of internal labour market analysis	277
	References	277

Chapter 20	Implicit contract theory	279
1	Introduction	279
2	The implicit contract model	280
3	Enforcement of implicit contracts	286
4	Asymmetric information	286
5	Critique and empirical evidence	287
6	Summary	288
	References	289
Chapter 21	Incentives in labour contracts: principal–agent models, pay systems and profit sharing	290
1	Introduction – the incentive problem	290
2	Model 1 – asymmetric information and certainty	291
3	Model 2 – asymmetric information and uncertainty: standard principal–agent model	293
4	Model 3 – the principal–agent model with monitoring	295
5	Incentive pay in practice	296
6	The macroeconomics of profit sharing	299
7	Summary	302
	References	304
Chapter 22	Efficiency wages	305
1	Introduction	305
2	The basic story	305
3	The Solow condition	306
4	The shirking model	307
5	The turnover model	309
6	The adverse selection model	312
7	Other explanations for efficiency wages	314
8	Synthesis	315
9	Critique of efficiency wage theory	315
10	Empirical evidence for efficiency wages	317
11	Policy implications	320
12	Summary	320
	References	322
Part VII	Competition, segmentation, union effects, wages and earnings	325
Chapter 23	Introduction to competition, segmentation, union effects, wages and earnings	327
1	Introduction	327
2	Competitive and non-competitive theories	327
3	Conclusion	328

Chapter 24	Discrimination and segmentation	330
	1 Introduction	330
	2 Discrimination	330
	3 Job competition, dual labour markets and segmentation	335
	4 Evidence on discrimination and segmentation	337
	5 Conclusions	342
	References	342
Chapter 25	Industrial relations, bargaining and the effects of trade unions	345
	1 Introduction	345
	2 Industrial relations systems and labour market institutions	345
	3 Origin and structure of trade unions	346
	4 Union membership and 'unionization'	346
	5 Bargaining problem	349
	6 Bargaining and strikes	354
	7 Union's utility as a function of wages and employment	355
	8 'Monopoly union' and 'right to manage' models	356
	9 Efficient bargains	357
	10 Economic effects of trade unions	358
	11 Conclusions	363
	References	364
Chapter 26	Wages and earnings	367
	1 Introduction	367
	2 Competitive and non-competitive forces	367
	3 Competitive theories	369
	4 Non-competitive theories	374
	5 Distribution of earnings	382
	6 Conclusions	388
	References	388
Part VIII	Labour markets and economic performance	391
Chapter 27	Introduction to labour market outcomes	393
	1 Introduction	393
	2 Labour force status	393
	3 Labour force states	396
	4 Productivity, inflation and growth	402
	5 Conclusions	406
	References	406

Chapter 28	Unemployment	407
1	Introduction	407
2	Importance of unemployment	407
3	Types of unemployment	409
4	Incidence of unemployment	412
5	Movements between economic states: transition models	414
6	Duration of unemployment	415
7	Conclusions	417
	References	419
Chapter 29	Economic performance and the labour market	420
1	Introduction	420
2	Productivity, cost and prices	420
3	Inflation and the labour market	423
4	Labour, competitiveness and growth	429
5	Conclusions	436
	Appendix 1: adaptive and rational expectations	437
	References	438
Chapter 30	Labour market policies and outcomes	440
1	Introduction	440
2	International context	440
3	Labour market policies in the UK	441
	References	447
	Index	449