
ECO361: LABOR ECONOMICS

FALL 2009

Instructor: Professor Bill Even
Office: 3018 FSB
Office hours: 9:00-10:00 Monday and Wednesday
2:00-3:30 Tuesday and Thursday
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Textbook: *Modern Labor Economics: Theory and Public Policy* (9th Edition) by Ronald Ehrenberg and Robert Smith.

Course Objectives:

This course is designed to provide the student with a better understanding of the complexities of the labor market. Upon completion of the course, students should have the ability to:

- Interpret labor market statistics
- Explain the advantages and disadvantages of structuring compensation in various ways.
- Explain why earnings differ so much across jobs and the factors that may reshapes these wage differentials.
- Explain the basic structure of government programs designed to insure against labor market shocks and the likely impact of these programs.
- Evaluate the advantages and disadvantages of government policies in terms of their effects on labor market outcomes.

Liberal Education

This is the second course in the Liberal Education Thematic Sequence “*The Economics of Labor Markets*”, and an optional course in the sequence “*Microeconomic Perspectives*”. ECO201 develops models of rational decision making by constrained economic agents. ECO202 explores and assesses the aggregate implications of these choices. In ECO361, these decision making principles are more rigorously developed, extended and applied specifically to labor market issues. Within this framework, government policy and institutional constraints (e.g. the minimum wage, unemployment insurance, immigration law, Social Security, welfare programs) provide the context necessary for understanding and explaining how labor market outcomes result from the rational choices of individuals and firms. At the same time, labor market policy and institutions respond and react to these labor market outcomes, often on the basis of imperfect aggregate economic statistics.

Course Topics

*The unemployment, employment and labor force participation rate -- measurement, interpretation, and trends.
*Real versus nominal wages and recent trends in wage growth. *Determinants of labor demand and its elasticity, along with implications for measuring policy effects. *Quasi-fixed labor costs, their effect on hours per worker versus number of workers, the effect on lay-off policies. *Labor supply theories -- application to welfare policies, unemployment insurance, spousal employment, retirement, Social Security & pension plans.
*Compensating wage differences -- job risk and OSHA, unemployment risk, rents, problems with measuring, use in policy making, empirical evidence. *Investments in human capital -- the rate of return on investment, general versus specific human capital, the role of discount rates and imperfect credit markets, recent trends in returns to education. *Worker mobility -- who moves or changes jobs and why? immigration and assimilation, mobility reduction devices used by employers. *The structure of compensation -- wages versus fringe benefits, tax and screening incentives, impact of mandatory fringes, nondiscrimination rules in fringe benefit provision, efficiency wages, employee crime. *Discrimination in the labor market -- prejudice versus discrimination, theories of discrimination and measurement, recent trends, comparable worth, affirmative action.

CLASS POLICIES

Readings: You should read the assigned chapter in the text by the first day that it is to be covered in class. The order of chapters is presented at the end of the syllabus. Some additional readings may be assigned as the semester progresses. Unless you are specifically told otherwise, appendix material is not covered. Also, all assigned readings are test material, regardless of whether they are discussed in class.

Grades: Your grade will be based upon two midterms, a final, a paper and presentation, and class participation. The weights are as follows:

Midterm 1	27%
Midterm 2	27%
Final	27%
Team Papers	19%

Attendance. Attendance will be regularly monitored. Leaving class early or arriving after attendance taken will count as a class missed unless an alternative arrangement is made on the day in question. At the end of the year, those with 3 or fewer absences will receive bonus points that will be added to their overall total percentage score at the end of the year. If you have 2 or fewer absences, you will receive a 2 percentage points bonus ; 3 absences receives a 1 percentage point bonus. The reason that you miss a class is irrelevant in my determination of the number of classes missed and whether you receive bonus points. Consequently, there is no reason for you to inform me of the reason for absences, unless they become excessive as described below.

If you miss more than 4 classes and are unable to establish that you have good reason for being frequently absent, I reserve the right to invoke section 01.701.E of the student handbook which states

Whenever a student is absent from class to such an extent as to make the student's work inefficient or to impair the morale of the class, the instructor may direct the University Registrar to drop the student from that course with a grade of F. The instructor shall notify the student of this action no later than the time he or she notifies the Registrar.

If you exceed the 4 absence limit, I will warn you via email that you are at risk of being dropped from the course. A failure to read your email will not constitute a legitimate defense against subsequent penalties.

In addition to the above, those students who exhibit exceptional classroom participation (as indicated by both the **quality and quantity** of questions and answers in class) may have their grade improved on the margin (e.g. from a B+ to A-).

Grade Appeals: If you think that an exam has been incorrectly graded, submit a written explanation of the problem no later than 1 week after the exams have been returned. This deadline applies regardless of whether you are present in class at the time the exams are returned. I will respond to you in writing as soon as possible. If there is still a disagreement, schedule an office visit so that we may further discuss the problem.

Team Papers: The objectives of a "liberal education" include development of a student's ability to think critically, understand contexts, engage with other learners, and to cause students to reflect and act upon the basis of the acquired knowledge. In addition to the classroom activities, there will be 2 papers required to further develop these skills. Each student will be assigned to a small team (3 or 4) that will have to write a short paper addressing a topic relevant to the course. Upon completion of each paper, team members will evaluate each other's contribution to the team effort and grades will be assigned accordingly. [More details will be forthcoming on this point.] Team composition may be changed as the semester progresses. There will be a 10 percentage point penalty for each day (or part thereof) that any paper is late. Each student will receive an overall score on the team papers that will be a weighted average of the scores received on each team project. The tentative due dates for short papers are 10/22 and 12/1. These dates are subject to change and it is the student's responsibility to keep informed of any announced changes in due dates.

Office Visits: You are encouraged to visit me during office hours for clarification of lecture notes, assigned readings, homework problems, grading policies, team papers, or advice on study habits. If you cannot see me during my regular office hours, make an appointment with me at the end of class. If you visit, please come prepared. For example, if there is a question on lecture notes, be sure that you have read the relevant part of the text. Finally, please try to resolve your problems as soon as they arise.

Make-up Policy: No make-up exams will be given unless you provide evidence of a valid excuse **as soon as possible**. All excuses will be subject to verification.

TOPIC (Approximate dates listed. Students are responsible for any schedule changes announced in class.)	ASSIGNED READING
Introduction to course (8/25)	
Overview of the Labor Market (8/27, 29)	Ch. 2
Labor Demand (9/1-9/24)	
The Demand for Labor	Ch. 3
Labor Demand Elasticities	Ch. 4
Frictions in the Labor Market	Ch. 5
Midterm 1 (10/1)	
Labor Supply (10/6-10/15)	
Supply of Labor to the Economy: The Decision to Work	Ch. 6
Labor Supply: Household Production, the Family, and the Life Cycle	Ch. 7
The Structure of Compensation and Its Consequences – Part I (10/20-11/3)	
Compensating Wage Differentials and Labor Markets	Ch. 8
Investments in Human Capital: Education and Training	Ch. 9
Midterm 2 (11/5)	
The Structure of Compensation and Its Consequences – Part II (11/10-12/10)	
Pay and Productivity: Wage Determination within the Firm	Ch. 11
Worker Mobility: Migration, Immigration, and Turnover	Ch. 10
Gender, Race and Ethnicity in the Labor Market	Ch. 12
Final Exam, Thursday 12/17 at 12:30 p.m. Location TBA.	