Economics of the Employment Relationship
37:575:325:01
Spring 2013

Instructor: Fuxi Wang
Office: LEC PhD Office
Office hours: By appointment
Phone: 224-848-0693
Email: fw73@eden.rutgers.com

Class Time: W 9:15 a.m. – 12:15 p.m.
Class Location: C/D – Hickman Hall – Room 202

The schedule and assignments are subject to change. All students must maintain an email account and check it for changes in the course schedule or requirements. Please keep the instructor informed of your current email address.

Text: There is no text. Readings from a variety of sources are posted on Sakai. Additional required readings may be added by the instructor to what is on this preliminary syllabus.

For those who are used to using text, an optional text: Modern Labor Economics: Theory and Public Policy, by Ronald Ehrenberg and Robert Smith (New York: Prentice Hall, 11th edition) is recommended (not required).

Class and Preparation for Class

Class will include lectures, small group discussions, and problem sets done in class (or begun in class and due the next class). It is important to:

- **Be prepared for class.** Always read the material assigned for a class before the class. Check your email Tues. evening for class announcements.
- **Be present and be on time.** You start with an “A” for attendance, but your grade for attendance will decline each time you are absent, late, or leave early. You should obtain lecture notes from another student if you are forced to miss a class. These are not provided by the instructor or by teaching assistants.
- **Participate in discussions and group activities.** Explain your views. Ask questions. Also listen – don’t monopolize the discussion or ignore other views. Do your share of the work on problem sets. Help others if you understand and they do not. *This is particularly essential for international students!*
- **Take careful lecture notes.**

You are responsible for reading, and following, the “Plagiarism Guidelines” posted on Sakai. Please read those guidelines and keep them in mind.

Evaluation
For purposes of grading, there are five components of the course:

- Class preparation, attendance, and participation (10%)
- Problem sets (10%)
- Data projects (10%)
- First midterm exam. The midterm is closed-book but you may bring one notecard or sheet of paper no larger than 4x6 inches with notes on it. (30%)
- Second midterm exam. (40%). The same rules apply as for the first mid-term.

The following schedule is subject to change; readings should be completed before class.

**WEEK 1 Jan. 23:** Introduction and overview of the class

**WEEK 2 Jan. 30:** Fundamentals of markets, labor markets, and labor economics

SMLR Librarian Donna Schulman will be visiting for part of the period this week. Be sure to be present to learn essential information for the data projects and to get your data project assignment.

1. For a review of basic supply/demand theory:


2. Is labor economics simply the application of this theory?


**WEEK 3 Feb. 6:** Labor supply, Part I – the Demographic Dimension

First data projects are due in class.

1. The following chapter was written in the mid-1980s but is still a valuable overview:


2. The global context of labor supply:

WEEK 4 Feb. 13: Labor supply and hours of work: The theory

1. For the basic model read:


2. For an application to the issue of labor market participation, read:


WEEK 5 Feb. 20: Labor demand for the individual firm

1. For the basic model read:


WEEK 6 Feb 27: Wage determination: competition, monopsony and compensating differentials

1. Wage determination under competition and monopsony:


2. The theory of compensating differentials:

WEEK 7 Mar. 6:  Labor demand elasticity and the minimum wage

1. Elasticity of labor demand:


2. Economic Analysis of the minimum wage:


WEEK 8 Mar. 13:  Midterm exam

WEEK 9 Mar. 27:  Education and training:  The Economics of Human Capital


WEEK 10 Apr. 3:  The Economic Effects of Unions


WEEK 11 Apr. 10:  Discrimination in the U.S. Labor Market

**WEEK 12 Apr. 17: Earnings Trends in the U.S.**

Richard B. Freeman, “Are Your Wages Set in Beijing?” *Journal of Economic Perspectives*, Vol 9, No. 3 (Summer 1995). Pages 15-22 and the conclusion (pp. 30-31) are required; the rest of the article is optional reading.

Nicole Fortin and Thomas Lemieux, “Institutional Changes and Rising Wage Inequality: Is There a Linkage?” *Journal of Economic Perspectives*, Vol. 11, No. 2 (Spring 1997), Pages 75-81 and the conclusion (p. 94) are required; the rest of the article is optional reading.

**WEEK 13 Apr. 24: Unemployment and the Great Recession**


Additional readings to be determined.

**WEEK 14 May 1: SECOND MIDTERM EXAM**