



**37:575:325:01 Economics of the Employment Relationship**  
**Spring 2018**

**Pre-Requisite:** None

**Meeting Times:** Mondays, 6:10 – 9:00 PM, beginning January 22<sup>nd</sup>, 2018

**Location:** CAC – Hardenbergh Hall A1

**Course Description:** Overview of labor economics, key public policy issues affecting the employment relationship, and analysis of key economic data to support employment policy decision making.

**Instructor:** Joel Schreiber, MBA, CFP ®

**Please use the course's Sakai Chat Room: For any questions pertaining to class material.**

**Contact me directly for personal issues or absences:** [joel.schreiber@rutgers.edu](mailto:joel.schreiber@rutgers.edu)

**Office Hours:** Wednesdays, 5:30 – 6:30, Livingston Learning Center, Mondays, 5:30 – 6:00, in class.

**One required text:**

Albelda, Randy and Drago, Robert, **Unlevel Playing Fields: Understanding Wage Inequality and Discrimination**, 4<sup>th</sup> edition, Dollars and Sense, Economic Affairs Bureau, Inc., Boston, MA, 2013.

Order directly from: <http://www.dollarsandsense.org/bookstore/infounlevel.html>

Additional required readings available online, in the Sakai site / Resources folder.

## Preparation for Class

Class will include lectures, small group discussions, and practice problems done in class (in study groups). It is important to:

- Be prepared for class. **Always read the material** as assigned in the syllabus, for a class **before** the class. Check your email for class announcements.
- **Be present and be on time. Attendance will count for 5% of your course grade.** 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 class discussions and group activities. **Participation will count for 5% of your course grade.** Explain your views. Ask questions. Also listen – don't monopolize the discussion or ignore other views. This is particularly essential for international students. NOTE: You cannot receive an "A" in this class, without actively participating!
- Take careful lecture notes.
- Check into the Sakai Chat Room often, for valuable shared information.

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

**First Midterm Exam will be given in class on March 19<sup>th</sup>, 2018. Second Midterm will be given in class on April 30<sup>th</sup>, 2018.**

## Evaluation

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

- Class preparation, attendance, and participation (10%)
- Problem sets (20 %)
- Group Data projects (20%)
- First Midterm exam (3/19/2018) (25%)
- Second Midterm exam (4/30/2018) (25%)

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

<b>Course Part 1 – Overview of Economics, Theories and Issues of Employment.</b>	
<b>1/22 Week 1</b>	<b>Introduction and Course Overview</b>
<b>1/29 Week 2</b>	<p><b>How to think like an economist. Ten Principles of Economics. How strong is our economy today? How strong is our national employment?</b></p> <p>Readings and Viewings:</p> <ol style="list-style-type: none"> <li><b>Ten Principles of Economics:</b> <u>Mankiw, <i>Principles of Economics</i>, 3<sup>rd</sup>, edn, Southwestern Thompson Learning, pp. 3 - 15. (Posted in Sakai)</u></li> </ol> <p>People face tradeoffs / Opportunity cost / Marginal Decisions / Incentives / Benefits of Trade / Markets are usually efficient / Government is sometimes needed / Productivity drives standard of living / Prices rise with too much money supply / Inflation vs. Unemployment.</p> <ol style="list-style-type: none"> <li>Reich, <i>The Truth about the Economy</i>. <a href="https://www.youtube.com/watch?v=ynlI5rM7bgU">https://www.youtube.com/watch?v=ynlI5rM7bgU</a></li> <li>Boudreaux, Don, <i>The Real Truth about the Economy; Have Wages Stagnated?</i> <a href="https://www.youtube.com/watch?v=s6FmhXQ32Wo">https://www.youtube.com/watch?v=s6FmhXQ32Wo</a></li> </ol>
<b>2/5 Week 3</b>	<p><b>Economics 101: Supply and Demand, Elasticity, marginal product of labor. Is labor economics simply the application of these theories?</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li><b>Supply and Demand:</b> <u>Keat, Young and Erfle, <i>Managerial Economics</i>, 7<sup>th</sup> edn, Pearson, pp. 39 – 52 (Posted in Sakai).</u></li> </ol> <p>Law of Demand / Movement along a demand curve vs. shift in the demand curve / Non-price factors of demand. Law of supply / movement vs. shift in Supply curve / non-price factors of Supply. Where demand meets supply; price and quantity sold. Supply and demand analysis visually and quantitatively. Assumption of competitive market.</p> <ol style="list-style-type: none"> <li><b>Elasticity, or how steep is your demand curve?:</b> <u>Keat, Young and Erfle, <i>Managerial Economics</i>, 7<sup>th</sup> edn, Pearson, ch. 4, pages 68-72.</u></li> <li><b>Does Supply and Demand apply to Labor Markets?:</b> <u>Albelda and Drago, <i>Unlevel Playing Fields</i>, 4<sup>th</sup> edn, Dollars and Sense. <i>Work and Wages in the Neoclassical Model</i></u></li> </ol>

	<p><u>pp. 58 – 74.</u></p> <p>Peculiarities of labor markets: male vs. female workers, labor / leisure tradeoff / Rate of time preference / Income vs. substitution effect / Wage determination issues / unemployment's impact.</p> <p style="text-align: center;"><b>*** Problem Set 1 is due 2/12, 6PM ***</b></p>
<p><b>2/12 Week 4</b></p>	<p><b>Political Economy approach to Employment Theory. Hiring and wage discrimination.</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li><b>Earnings Discrimination:</b> <u>Mankiw, <i>Principles of Economics</i>, 3<sup>rd</sup>, edn, Southwestern Thomson Learning, pp. 395 - 408. (Posted in Sakai)</u></li> </ol> <p>Compensating differentials / Human Capital / Ability, effort and chance / Signaling / the Opportunity Cycle / Globally competitive markets limit the level of wage discrimination.</p> <ol style="list-style-type: none"> <li><b>Political Economy theory and how it explains labor market behavior:</b> <u>Albelda and Drago, <i>Unlevel Playing Fields</i>, 4<sup>th</sup> edn, Dollars and Sense. <i>The Political Economy Approach</i>. pp. 3 – 36, 105 – 128</u></li> </ol> <p>Context, Collective behavior, conflicting interests and Change / The Rich get Richer / Systematic and personal discrimination / Explaining wage differentials.</p>
<p><b>2/19 Week 5</b></p>	<p><b>Labor Supply – Defining the “workforce.” Economics factors and non-Economics factors. Demographic effects. Effects of legal and illegal immigration. Globalization of workforce and jobs.</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li><b>How to determine the current Labor Supply:</b> <u>Ray Marshall and Vernon M. Brigg, Jr. <i>Labor Economics: Theory, Institutions, and Public Policy</i>, 6<sup>th</sup> edition (Irwin, 1989), Chapter 6, “The Supply of Labor,” pp. 132-58.</u></li> </ol> <p>Counting the “participants,” / population growth impacts / Participation trends / immigration impacts / impact of women entering the labor force.</p> <ol style="list-style-type: none"> <li><b>The current global context of labor supply:</b> <u>Richard Freeman, “The Great Doubling: Is Your Job Going to Bombay or Beijing?” in <i>America Works: Critical Thoughts on the Exceptional U.S. Labor Market</i>. New York: Russell Sage Foundation, 2007, pp. 128-140.</u></li> </ol> <p>The out-sourcing of U.S. jobs... Impact of the global economy on the U.S. labor supply.</p>

<p><b>2/26 Week 6</b></p>	<p><b>Labor Demand - The company's marginal product, law of diminishing returns and profit maximization. Sounds great in theory – but what is the corporate reality?</b></p> <p><b>Unemployment - Unemployment / Inflation tradeoff – do we need some level of unemployment? How do we measure unemployment? What is unemployment's true cost to individuals, to industry, to society.</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li><b>Profit maximization drives job creation:</b> <u>Keat, Young and Erfle, Managerial Economics, 7<sup>th</sup> edn, Pearson. pp 180-191.</u></li> </ol> <p>Production Function / law of diminishing returns / marginal product of labor.</p> <ol style="list-style-type: none"> <li><b>Unemployment / Inflation Tradeoff:</b> Phillips curve shows an inverse relationship between rates of unemployment and rates of inflation: <a href="https://en.wikipedia.org/wiki/Phillips_curve">https://en.wikipedia.org/wiki/Phillips_curve</a></li> <li><b>Does the theory still apply?</b> <a href="http://www.dollarsandsense.org/archives/2006/0906drdollar.html">http://www.dollarsandsense.org/archives/2006/0906drdollar.html</a></li> <li><b>Unemployment's true costs:</b> <a href="http://www.investopedia.com/financial-edge/0811/the-cost-of-unemployment-to-the-economy.aspx">http://www.investopedia.com/financial-edge/0811/the-cost-of-unemployment-to-the-economy.aspx</a></li> </ol> <p style="text-align: center;"><b>*** Problem Set 2 is due 3/5, 6PM ***</b></p>
<p><b>3/5 Week 7</b></p>	<p><b>Wages – What determines them? Competition, monopsony and compensating differentials. What are the recent trends in U.S. workers' wages?</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li>Work and Wages in the Political Economy: <u>Albelda and Drago, <i>Unlevel Playing Fields</i>, 4<sup>th</sup> edn, Dollars and Sense. <i>Work and Wages in the Neoclassical Model</i> pp. 130 – 156.</u></li> <li>The theory of compensating differentials: <u>Bruce E. Kaufman and Julie L. Hotchkiss, <i>The Economics of Labor Markets</i>, 7<sup>th</sup> edition, (South-Western College Publishing, 2006), Chapter 8, pp. 390-97.</u></li> </ol> <p style="text-align: center;">Differences in tastes and abilities / Effect of unemployment / Effect of non-competing groups.</p>
<p><b>SPRING RECESS: 3/10 – 3/18</b></p>	
<p><b>3/19 Week 8</b></p>	<p><b>First Midterm (Must be present in class!)</b></p>

## Course Part 2 –Collective, Government and Market based Solutions to the Issues

**3/26  
Week 9**

**Human Capital theory – a solution to the Labor Supply issues, and a potential boost to corporate profits?**

Readings and Viewings:

1. The Economics of Human Capital: Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, 11<sup>th</sup> edition, Chapter 9, “Investments in Human Capital: Education and Training,” pp. 278-318.
2. Davos 2014 – Higher Education – Investment or Waste?  
<https://www.youtube.com/watch?v=d4y5QDxts28>
3. The new Science of Human Capital (HR within companies).  
<https://www.youtube.com/watch?v=j3rZSIqZ0pM>
4. Human Capital and the Age of Change:  
[https://www.youtube.com/watch?v=y1sueM\\_jhSk](https://www.youtube.com/watch?v=y1sueM_jhSk)

**4/2  
Week 10**

**Minimum Wage debate – Economics arguments, societal arguments. What is the minimum wage’s track record? What is a fair minimum wage?**

Readings:

1. Economic analysis of the minimum wage: Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7<sup>th</sup> edition, (South-Western College Publishing, 2006), part of Chapter 6, pp. 281-95.
2. Minimum wage debate: Who’s right?  
<http://www.forbes.com/sites/susanadams/2013/11/11/the-minimum-wage-debate-whos-right/>

**4/9  
Week 11**

**Labor Unions: How much do they raise wages? Do they improve worker benefits? Who benefits and who bears the costs?**

Readings and Viewings:

1. Overview of Unions: <http://www.aflcio.org/Learn-About-Unions>
2. Economic effect of Unions: Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7<sup>th</sup> edition, (South-Western College Publishing, 2006), Chapter 12, pp. 626 – 659.
3. Recent case: Wisconsin in 2015 became the 25<sup>th</sup> state to pass “right-to-work” legislation. <http://www.nrtw.org/rtws.htm> and <http://www.nrtw.org/en/about>

**\*\*\* Problem Set 3 is due 4/16, 6PM \*\*\***

<p><b>4/16 Week 12</b></p>	<p><b>Government's role. Fiscal policy – how much does it help job creation? Monetary policy and the Federal Reserve – how much do they affect jobs? From 10% to 5% unemployment in the last 7 years: Who deserves the credit?</b></p> <ol style="list-style-type: none"> <li>1. Recent Fiscal Policy: Congressional Budget Office, "Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output in 2014, 2/20/2014. <a href="https://www.cbo.gov/publication/49958">https://www.cbo.gov/publication/49958</a></li> <li>2. Recent Monetary Policy: How the Federal Reserve affects job creation: Federal Reserve Bank of Dallas, <i>Labor, the Economy and Monetary Policy</i>. <a href="https://www.dallasfed.org/assets/documents/educate/everyday/labor.pdf">https://www.dallasfed.org/assets/documents/educate/everyday/labor.pdf</a></li> </ol> <p>GROUP DATA PROJECTS - Data Analysis completion.</p>
<p><b>4/23 Week 13</b></p>	<p style="text-align: center;"><b>GROUP DATA PROJECT PRESENTATIONS (Must be present in class)</b></p> <p><b>The World is Flat, the Economy is shared, and machines are taking over. How will current global, economic, and technology trends affect the future demand for labor?</b></p> <p>Readings:</p> <ol style="list-style-type: none"> <li>1. Thomas Friedman, <u>The World is Flat</u>. Reading TBD.</li> <li>2. The Economist, <u>Mega Tech, Technology in 2050</u>, "Work and the Rise of Machines," pp. 187 – 194.</li> <li>3. The Rise of the Sharing Economy. <a href="http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy">http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy</a></li> </ol>
<p><b>4/30 Week 14</b></p>	<p style="text-align: center;"><b>SECOND MIDTERM EXAM (Must be present in class!)</b></p>

**Attendance:** Attendance is of critical importance. It is essential to keep up with the class material. Attendance will be taken in each class. If a student misses/will miss a class, then the student needs to send a courtesy e-mail message to the professor. **As stated earlier, attendance will count for up to 5 - 10% of your course grade!!**

**Required:** Excel 2007 (or higher) or, for MACs, StatPlus/Analyst Soft as an alternative, is required for problems, related cases, and team projects. Reading assignments must be completed prior to each lecture.

**Communication Devices:** No communication devices (cell phones, palm pilots, beepers, pagers, etc.) can be used in the classroom.

**Assessment:**

**Posting of Grades:** Please check MyRutgers for your final grades.

**Assessment Policy:**

Letter Grade	Scores Based on Course Components
A	90-100
B+	85-89
B	80-84
C+	75-79
C	70-74
D	60-69
F	< 60

**Note:** The thresholds for final letter grades will be re-scaled if a conventional standard seems unreasonable.

**Academic Integrity:** All students are responsible for locating, reading, and abiding by the University Policy on Academic Integrity for Undergraduate and Graduate Students. The policy is available on-line at <http://cat.rutgers.edu/integrity/policy.html>

**Recommendations:** Requests for recommendations must be made in writing after completion of the course.

**Take Home Exams:** All Take Home Exams are posted on Sakai under "Assignments." Take Home Exams must be uploaded on time in their entirety.

**Penalty:** For every day that an assignment is late there is a **10% penalty** that will accrue, with a **max of one week**. Submissions must be complete; no partial assignments can be submitted.

**Communication:**

**1. NETID Needed**

Rutgers uses the Sakai system. In order to use this system, you must have a NETID and PW. A NETID is

an account on one of the main systems at Rutgers (Pegasus, Eden, Andromeda or RCI).

- **If you have a NETID**, you can currently ensure that you will be able to login to the system.

- **If you do not have a NETID**, please use the following page to attain one:

<http://netid.rutgers.edu/>

- **If you have any problems**, please contact your local RUCS Help Desk. You can reach them at [help@nbcs.rutgers.edu](mailto:help@nbcs.rutgers.edu) or 732-445-Help

## **Sakai**

To facilitate class learning, please access and print course documents needed for class from the course management system known as Sakai. Course documents are posted in folders under Resources.

### **Quick Start for Sakai:**

<https://sakai.rutgers.edu/access/content/public/quickmember.html>

### **Sakai website:**

<http://sakai.rutgers.edu/portal>

If you do not see this course listed, then the site is likely in the “More” dropdown box to the right of your tabs.

You can rearrange the order of your sites or hide sites from previous semesters by using the Preference tool

in My Workspace and clicking on the “Customize Tabs” action button.

## **CTAAR**

The Center for Teaching Advancement and Assessment Research supports teaching and learning through a variety of areas. Free for students are software workshops in Excel, Word, PowerPoint, Access, etc.

[http://ctaar.rutgers.edu/workshops/ws\\_descr\\_IT.html](http://ctaar.rutgers.edu/workshops/ws_descr_IT.html)

### **Student E-Mail and Phone Numbers:**

a. A student can forward mail from his/her Eden/Pegasus address to a preferred e-mail address. Go to <http://www.eden.rutgers.edu/tools.php> and click on forwarding. Enter your NetID and PW. Then fill in your preferred e-mail address.

**Cautions:** Hotmail has problems with e-mails with attachments. Also, some corporations spam e-mails with attachments.

- If you have any problems, please contact your local RUCS helpdesk at

[help@nbcs.rutgers.edu](mailto:help@nbcs.rutgers.edu)

Students, also, have the responsibility to then inform the professor of any changes to their phone numbers (day and evening). Please use “**37:575:250:06**” in the Subject section to avoid being spammed. **Please sign your full name in all e-mail correspondence.**

**Please do not Reply All to the Instructors.** Otherwise, several members of the staff and instructors will receive your correspondence.

Please check your e-mail regularly, especially on the day of class, to learn if there are any changes in the class schedule, class requirements, or for other general announcements.

**Study Groups:** Forming study groups will facilitate learning by keeping you focused, involved, and current in the course.

**Classroom Etiquette:** Common courtesy is expected at all times. **Please turn off all cell phones and other communications devices during class.** This facilitates efficient learning, best performance in the course, and timely completion of classes.

**Parking Impacts:** Special events may impact parking.

**Snow Emergency University/Campus Closings:** 732-932-INFO (New Brunswick);  
<http://campusstatus.rutgers.edu>