

LABOR MARKET ANALYSIS

Fall 2005

Prof. D. Fasenfest

Course: Econ 6410-001 (Ref#14737)

Location: 129 State Hall

Meeting: Thursdays, 6:00-8:50p

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Office Hours: 3:30 – 4:30 Thursdays, and by appointment

INTRODUCTION

The Labor Market Analysis course is designed to present students with a range of theoretical and applied tools to understand the supply of and demand for labor, to explore the ways in which labor markets function to establish wage rates and define sub-level markets, and to understand institutional forces that work to structure or otherwise shape labor markets.

Labor markets, and the forces at work within them, represent key elements in our society as it is currently organized, and reflect the heart of how we manage the production of goods and services. This course will explore classical/neo-classical models of economic activities and reflect upon alternative explanations of how these activities come about. There are two underlying premises that offer competing perspectives that will become the basis for how this course will be taught.

On one hand, there are traditional models (personified by the main arguments of your text book) that make many simplifying assumptions all rooted on the idea that individuals act on their own best interests and markets at the end of the day are the aggregation of all these individual decisions (here individual refers to actors—for example persons providing labor and employers seeking labor). This model is primarily a consensus view of social processes and outcomes.

Alternatively, there are less traditional models (found in the additional course readings and at times in class lectures) that begin with the assumption that social structures and institutions constrain individual decisions and restrict the range of outcomes. Some of these institutions appear in traditional models (for example, government policies) but are theorized as forces that distort markets in the consensus perspective while are seen as core forces creating markets in this conflict perspective. I will provide you all with more on this topic as the course progresses.

COURSE EXPECTATIONS

Graduate students enrolled in MAIR are required to have an overall better than “B” average for all courses to graduate. All should strive to have as high a grade as possible. While this is primarily a graduate course, some of you are advanced undergraduates. Regardless of your status, this is a graduate level course and will be taught accordingly.

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All students taking this class are assumed to have the following background:

- Some basic classes (at least one) in general economic theory
- Familiarity with math and standard algebra
- A social science background, preferably at least one course on work and organizations
- The ability to read and understand at a graduate level
- Solid writing skills commensurate with graduate level work

If you feel you are not prepared, or are not sure, make an appointment with me to discuss your background and preparation. Anyone wishing to take this course and is prepared to work to catch up or refresh their skills will get all the help they need from me (within reason—I cannot provide core competency), but I will assume that all students keep up with the readings and course material. Unfortunately, this is one of those classes where the material is not especially difficult as we progress through the course, but falling behind will create almost insurmountable barriers. Each section of the course depends on a clear and solid understanding of what preceded that section—a failure to have that understanding will result in a steady decline (or will require lots of work to catch up).

I am always willing to answer any question and clarify any material we have covered in class or you encountered in the reading. Each class will begin with a question and answer period and this is a good place to ask your question. Remember: ***THERE IS NO SUCH THING AS A DUMB QUESTION!*** Be assured anything that bothers you will also be unclear to others. The only mistake you can make is not to ask your question.

I will not take attendance, but note: ***YOU ARE RESPONSIBLE FOR THE MATERIAL DISCUSSED IN CLASS.*** At least half of the material for this course will be presented in lectures and discussed during class so it will be almost impossible to miss many class sessions and still do well (unless you have someone in class with whom you can discuss the missed session). Failure to attend class will not be an excuse for failure to understand material I discussed in class. Class participation will be 5% of the overall grade (see below) and obviously you have to be there to participate. Absence in class will not, by itself, cause you to lose more than participation points. I will answer any and all questions during office hours, ***EXCEPT REQUESTS THAT I REPEAT MATERIAL COVERED DURING MISSED LECTURES.***

In general, all writing will be done in class. However, the final exam is a take-home exam (see below). You will be expected to conform to University Policy with regard to plagiarism. All work must be your own words, and any use of the text or readings is to be kept to a minimum (but properly noted when used). The University has strict sanctions for anyone caught cheating or otherwise plagiarizing and I will follow those guidelines. Any work that contains plagiarized material will not be read and will receive a grade of zero. All appeals must be made following proper guidelines and procedures. As a rule I do not expect (nor have I experienced) plagiarism. If you have any doubts do not hesitate to consult with me prior to submitting your work.

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GRADES

The points you received as defined below determine your final grades.

Participation	5
Exam I	15
Exam II	35
<u>Exam III</u>	<u>45</u>
TOTAL	100

Grades are not “curved” so that any and all students can get an A (and conversely...well, think about it); grades are awarded based on the following scale:

<u>Points Earned</u>	<u>Grade</u>
95 – 100	A
90 – 94	A-
86 – 89	B+
81 – 85	B
77 – 80	B-
74 – 76	C+
70 – 73	C
66 – 69	C-
50 – 65	D
Less than 50	F

As you can see, there are three exams given during the course: two are in-class, one is take-home. Each is cumulative so you are expected to know all material covered in class or the readings up to that exam, for any exam given. The structures of the three exams are as follows:

Exam I: this will be given on September 22nd (week 3) and will cover basic material found in introductory chapters of the readings, in my discussions, and any handouts. It will be a 45 minute exam given at the start of the class (tardiness is no excuse), with 5 points awarded for a set of multiple choice/short answer questions (one or two words or a brief definition), and then 5 points each for two short responses to a set of questions (you will have a choice of 3 questions, from which you answer 2). By short response I mean a one or two paragraph answer demonstrating knowledge of the question.

Exam II: this will be given on November 3rd (week 9) and will cover the core concepts of labor markets in general, and the supply and demand for labor. There will be a multiple choice/short answer section worth 10 points, a choice of 2 out of 3 short essay responses for 10 points each, and a required longer essay (where you are expected to provide a fuller argument and make a case for your response) for 15 points. This exam will take up 2 hours of the class, and will be preceded by a question and answer period to address any questions or comments you have, any clarification of material you need, or other general review items prior to taking the exam.

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Exam III: this is the last exam of the semester and will be given as a take-home exam handed out on December 1st (week 13) and will be **due on Monday afternoon, December 12th by 5pm.** The last week of class (Dec 8th, week 14) will be devoted to a general review of the course and will be a chance for you to ask any questions short of “what is the answer to the exam question!” The exam will be made up of 4 long essay questions from which you choose 3 to answer. Each question is worth 15 points.

==> AS A RULE THERE WILL BE NO MAKE-UP EXAMS <==

In emergencies (and only if I have given approval *PRIOR* to the scheduled exam time) I will work with you to arrange for an alternative—but only for Exam II. In an emergency anyone unable to attend class during that exam *MUST* contact me prior to the start of that class. Voice mail messages and emails that have a date/time stamp prior to class will be accepted as grounds for possible rescheduling. I will consider making accommodations to re-schedule that exam on a case-by-case basis, but it is your responsibility to make the request for some alternative arrangement. Everyone must take Exam I as scheduled.

REQUESTS FOR A MAKE-UP EXAM DATE, WITHOUT PRIOR NOTICE AND MY APPROVAL TO MISS THE EXAM II, WILL BE DENIED. THERE IS NO APPEAL.

There are two texts for this course (all books are available at both the WSU Bookstore in the Welcome Center—I have asked that they order used copies whenever available):

REQUIRED: Ronald G. Ehrenberg and Robert S. Smith (eds.) 2006 (9th edition), *Modern Labor Economics: Theory and Public Policy*, New York: Addison Wesley [E&S in the assignments]

RECOMMENDED: Neil Smelser and Richard Swedberg (eds.) 2005 (2nd edition), *Handbook of Economic Sociology*, Princeton: Princeton University Press [S&S in the assignments]

Given the amount of material we will cover in class most lectures will focus on the required readings. However, the recommended reading should be viewed as augmenting the more formal and technical material in class presentation and the textbook readings. Each examination will have at least one question that can be completely answered by only using the recommended reading (and will be difficult to answer if only relying on the textbook and class discussions). As much as possible I will include material from the recommended list in the class presentations.

[PLEASE NOTE: The bookstore returns unsold copies of books within 4 or 5 weeks of the start of the semester. You are responsible for making sure you have the texts you need. Should you decide to purchase an earlier edition of the course text—often available used and much cheaper on-line—you are responsible for making sure the material assigned in this syllabus is properly covered in the earlier version. Chapter numbering and contents change from one addition to another so great care should be taken. All assignments are based on the editions noted above.]

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SCHEDULE OF CLASSES AND READING ASSIGNMENTS

<u>WEEK</u>	<u>TOPIC AND ASSIGNMENT</u>
# 1: September 8	COURSE OUTLINE—Introduction to material
# 2: September 15	<p><u>Topic</u>: LABOR MARKET ANALYSIS</p> <p><u>Readings</u>: E&S: Chapters 1 “Introduction”, and 2 “Overview of the Labor Market”</p> <p>S&S: 1. Smelser and Swedberg “Introducing Economic Sociology” and 3. Nee “The New Institutionalism in Economics and Sociology”</p>
# 3: <u>September 22</u>	<p>➔ Exam 1 (Basic Concepts—45 minutes) at the start of class</p> <p><u>Topic</u>: LABOR DEMAND</p> <p><u>Readings</u>: E&S: Chapters 3 “Demand for Labor”, 4 “Labor Demand Elasticities”, and 5 “Frictions in the Labor Market”</p> <p>S&S: 11. Swedberg “Markets in Society”</p>
# 4: September 29	<p><u>Topic</u>: LABOR DEMAND (con’t)</p> <p><u>Readings</u>: S&S: 12 Streeck “The Sociology of Labor Markets and Trade Unions”</p>
# 5: October 6	<p><u>Topic</u>: LABOR SUPPLY</p> <p><u>Readings</u>: E&S: Chapters 6 “Supply of Labor the the Economy: The Decision to Work”, 7 “Labor Supply: Household Production, the Family and the Life Cycle”, and 8 “Compensating Wage Differentials and Labor Markets”</p>
# 6: October 13	<p><u>Topic</u>: LABOR SUPPLY (con’t)</p> <p><u>Readings</u>: S&S: 18. Portes and Haller “The Informal Economy”</p>
# 7: October 20	<p><u>Topic</u>: WAGE DETERMINATION</p> <p><u>Readings</u>: E&S: Chapters 9 “Investments in Human Capital: Education and Training”, 10 “Worker Mobility: Migrations, Immigration and Turnover”, and 11 “Pay and Productivity: Wage Determination Within the Firm”</p>
# 8: October 27	NO CLASS: Review and catch-up with your reading

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# 9: November 3	In-class review 6-6:30pm → Exam II (Labor Markets, Labor Supply and Demand—2 hours)
#10: November 10	<u>Topic</u> : WAGE DETERMINATION (con't) <u>Readings</u> : S&S: 22. Block and Evans “The State and the Economy”
#11: November 17	<u>Topic</u> : MARKET AND SOCIAL IMPERFECTIONS <u>Readings</u> : E&S: Chapters 12 “Gender, Race, and Ethnicity in the Labor Market”, and 13 “Unions and the Labor Market” S&S: 27. England and Folbre “Gender and Economic Sociology”, and 28. Light “The Ethnic Economy”
#12: November 24	<u>NO CLASS</u> : Thanksgiving Break
#13: December 1	<u>Topic</u> : INEQUALITY AND MARKET DISTORTIONS <u>Readings</u> : E&S: Chapters 14 “Inequality in Earnings”, and 15 “Unemployment” S&S: 19. Granovetter “Business Groups and Social Organization”, and 24. Huber and Stephens “Welfare States and the Economy” Exam III handed out at the end of class (Cumulative Exam)
#14: December 8	Final In-Class Review
EXAM III DUE <u>December 12</u> (Monday)	Final exam due either in my office or by email no later than 5pm that day NOTE: If you email your exam as an attachment I will confirm receipt and that I was able to open and read the document. Please keep that confirmation until you receive your final grade. If you do not receive a confirmation by 6pm on Monday please call me immediately to make other arrangements—it is your responsibility to make sure email is working as expected. LATE EXAMS WILL NOT BE ACCEPTED