

## Labor Economics and Employment Relations

Econ 376  
Spring 2014  
Prof. Mark Pernecky

### Reading List/Syllabus

Ch. refers to a chapter in Contemporary Labor Economics, tenth edition, by Campbell McConnell, Stanley Brue, and David Macpherson.

RES refers to readings on reserve in the library from Economic Justice in Perspective by Combee and Norton.

LN: refers to articles available on Lexis-Nexis (academic). To access these articles, go to [www.Lexis-Nexis.com/universe](http://www.Lexis-Nexis.com/universe) or utilize the electronic data base from the St. Olaf Library home page's "Research Finding Tools". Search by typing in the title. Or, click "Sources", and then type in the source to find, such as Businessweek. Then "continue", and search by the title. It often helps to specify the exact date of the publication.

For newspapers, such as the Wall Street Journal (WSJ) you can use the library's index Newsstand identified as "PRO" (for Proquest Newsstand) on the syllabus.

JSR refers to academic journal articles available from the library database, "JSTOR".

Of course, the easiest method would be to first Google the title of the article. Links to other sources are provided below.

#### I. Introduction: Schools of Thought in Labor Economics and in Philosophical Ethics

##### A. An Overview of Labor Market Conditions

1. Ch. 1 "Labor Economics: Introduction and Overview."
- Goog 2. <http://www.bls.gov/news.release/empsit.t15.htm>
- Goog 3. <http://www.macrotrends.org/1377/u6-unemployment-rate>:
- Goog 4. <http://www.macrotrends.org/1350/median-duration-of-unemployment-historical-chart> .
- PRO 5. "The Quality of Jobs: the New Normal and the Old Normal," Laura D'Andrea Tyson, NY Times, Sept. 20, 2013.
- PRO 6. "Caught in Unemployment's Revolving Door," NY Times, Nov. 17, 2013.
- PRO 7. "Obama Tries New Tack for Long-Term Jobless," Wall Street Journal, Jan. 28, 2014.

## B. An Overview of Philosophical Ethics

- RES 1. Immanuel Kant, from The Metaphysics of Morality, in Combee and Norton, Economic Justice in Perspective, pp. 86-90.
- RES 2. Jeremy Bentham, from Principles of Morals and Legislation, in Combee and Norton, Economic Justice in Perspective, pp. 91-94.
- RES 3. John Stuart Mill, from Principles of Political Economy, in Combee and Norton, Economic Justice in Perspective, pp. 102-103.
- PRO 4. "Are Entitlements Corrupting Us?" Wall Street Journal, Sept. 1-2, 2012. (read the "yes" and the "no")

## II. Labor Supply

### A. Labor Supply in the Short Run

- 1. Ch. 2 "The Theory of Individual Labor Supply."
- PRO 2. "Men vs. Women: How Much Time Spent on Kids, Jobs, Chores," USA Today, March 14, 2013.
- JSR 3. "U of M Study Shows Best Buy Cuts Staff Turnover with Flex Schedule," Minneapolis St. Paul Business Journal, April 6, 2011.
- Goog 4. <http://money.msn.com/now/post.aspx?post=30eb717c-6ad5-4206-8d41-49506b5285ef>, "Moonlighting Becomes an American Way of Life," March 11, 2013.
- 5. Ch. 3 "Population, Participation Rates, and Hours of Work," (excluding pp. 54-57 "Becker's Model: the Allocation of Time").
- Goog 6. Civilian Labor Force Participation Rates by Age, Sex, Race, and Ethnicity," [www.BLS.gov](http://www.BLS.gov), Dec. 2013.
- Goog 7. "At Age 77 He Prepares Burgers Earning in Week His Former Hourly Wage," [www.Bloomberg.com](http://www.Bloomberg.com), Sept. 23, 2013.
- PRO 8. "More Young Adults Live with Parents," Wall Street Journal, Aug. 27, 2013.
- LN 9. "Career Changers Value Passion Over Pay" [www.reuters.com](http://www.reuters.com).
- LN 10. "Marx to Market," Businessweek, Sept. 14, 2011.
- Goog 11. Karl Marx, The Economic and Philosophic Manuscripts of 1844, "Estranged Labour."
- Goog 12. "A 'Chasm' Exists Between Pope Francis and Liberation Theology," National Catholic Register, May 17, 2013.
- Goog 13. "Pope, in an Angered Brazil, to Focus on Social Justice," NY Times, July 20, 2013.
- Goog 14. "Economic Possibilities for our Grandchildren," John Maynard Keynes (1930), transcribed by Viola Wilkins.
- LN 15. "All Men Are Created Unequal: Revising an Old Argument about the Impact of Capitalism," The Economist, Jan. 4, 2014.
- Goog 16. "The Surprising Reason College Grads Can't Get a Job," The Fiscal Times, Jan. 29, 2014.

## B. Labor Supply in the Long Run

1. Ch. 4 “Labor Quality: Investing in Human Capital,” (excluding pp. 104-112 “Human Capital Investment and the Distribution of Earnings”).
- PRO 2. “Students Pick Easier Majors Despite Less Pay,” Wall Street Journal, Nov. 9, 2011.
- PRO 3. “Humanities Fall From Favor,” Wall Street Journal, June 6, 2013.
- Goog 4. [www.payscale.com/college-education-value](http://www.payscale.com/college-education-value) 2013.
- LN 5. “Calculating a College Degree’s True Value,” Business Week, Dec. 20 2012.
- PRO 6. “Price of Admission: Deans List: Hiring Spree Fattens College Bureaucracy – and Tuition,” Wall Street Journal, Dec. 29, 2012.
- PRO 7. “Colleges Lose Pricing Power,” Wall Street Journal, Jan. 9, 2013.
- PRO 8. “The Cost of Dropping Out,” Wall Street Journal, Nov. 23, 2012.
- PRO 9. “A Novel Way to Fund College,” Wall Street Journal, July 3, 2013.
- PRO 10. “Obama Plan to Curb Tuition Hinges on Rating Colleges,” Wall Street Journal, Aug. 23, 2013.
- LN 11. “Higher Education: Universities Challenged,” The Economist, Aug. 31, 2013.
- LN 12. “The Government Wants to Grade Your College,” Business Week, Dec. 19, 2013, pp. 31-33.
- PRO 13. “The Risks of a One-Year M.B.A.,” Wall Street Journal, August 2, 2012.
- PRO 14. “For Newly Minted MBAs, A Smaller Paycheck Awaits,” Wall Street Journal, Jan. 6, 2013.

## III. Labor Demand

### A. Labor Demand in the Short Run

1. Ch. 5 The Demand for Labor, pp. 128-139.
- PRO 2. “Some Retailers Say More about their Clothing’s Origins,” NY Times, May 81, 2013.
- PRO 3. “Apple Suppliers Face Waste Probe,” Wall Street Journal, Aug. 5, 2013.
- PRO 4. “Worker Group Alleges Abuses at Apple Supplier in China,” Wall Street Journal, July 29, 2013.
- PRO 5. “Cargill is Working to Improve Conditions on Cocoa Farms in West Africa but Abuses Persist,” Star Tribune, June 9, 2013.
- PRO 6. “Standards Clash in Bangladesh Reforms,” Wall Street Journal, May 17, 2013.
- PRO 7. “Bangladesh to Raise Pay for Garment Workers,” Wall Street Journal, May 13, 2013.
- PRO 8. “Bangladesh Workers Face Fight to Form Unions,” Wall Street Journal, Sept. 11, 2013.

- LN 9. "Risking Life and Limb to Earn \$160 a Month," Business Week, Jan. 16-19, 2014, pp. 16-17.
- PRO 10. "Cambodia's Factories Grapple with Issue of Underage Workers," Wall Street Journal, Dec. 29, 2013.

### B. Labor Demand in the Long Run

1. Ch. 5 The Demand for Labor, pp. 164-167, pp. 139-142 (up to other factors), and pp.146 "Elasticity of Labor Demand" to p. 160 "Chapter Summary".
- Goog 2. [www.slate.com](http://www.slate.com) "Will Robots Steal Your Job?" Sept. 26, 2011.
- PRO 3. "The Robots are Winning," Washington Post, Oct. 24, 2011.
- PRO 4. "They're Farming Out Dairy Jobs to Robots," Star Tribune, Sept. 2, 2012.
- LN 5. "What Machines Can't Do," Business Week, Dec. 17-Dec. 23, 2012.
6. "Robot Ethics: Morals and the Machine," The Economist, June 2, 2012, (video shown in class).
- Goog 7. <http://www.brookings.edu/research/papers/2013/04/11-worker-shortage-immigration-west> "The Paradox of Worker Shortages at a Time of High National Unemployment," Brookings, April 10, 2013.
- PRO 8. "Why Hairdressers are Secure: Their Jobs Can't Be Exported," Wall Street Journal, July 5, 2012.
- LN 9. "The Onrushing Wave," The Economist, Jan. 18, 2014.
- LN 10. "Brainbox Nation," The Economist, March 16, 2013.
- LN 11. "Clean, Safe and it Drives Itself," The Economist, April 20, 2013.

### C. Ethics and Labor Demand as a Derived Demand

- Goog 1. Martin Luther, Luther' Works vol. 45, "Trade and Usury," or "On Trading and Usury," pp. 245-271 (entire reading, from "The Holy Gospel...to His Good Will. Amen.").
- Goog 2. Martin Luther, "Temporal Authority: to What Extent it Should be Obeyed" read from "Fifth. But you say Christians," up to "Part Two".
- LN 3. "Hungry for Income, Banks Flirt with Payday Lending," Businessweek, Nov. 1, 2012.
- PRO 4. "Islamic Banking: Steady in Shaky Times," Washington Post, Oct. 31, 2008.
- PRO 5. "Tithing Picks up Among Christian Business Owners," Chicago Tribune, Aug. 22, 2008.
- PRO 6. "Workplace Loans Gain in Popularity," Wall Street Journal, Dec. 15, 2013.
- Goog 7. "New Penalties for Cab Drivers Who Refuse Fares on Religious Grounds," April 17, 2007, [www.consumerist.com](http://www.consumerist.com).

- Goog 8. [www.msnbc.msn.com/id/17665989/ns/business-us\\_business/t/target-shifts-muslims-who-wont-ring-pork](http://www.msnbc.msn.com/id/17665989/ns/business-us_business/t/target-shifts-muslims-who-wont-ring-pork) "Target Shifts Muslims who won't Ring Up Pork," March 18, 2007.
- PRO 9. "Obama Reaches Out Before Vatican Trip: Robust Health Worker Protection Backed," Washington Post, July 3, 2009.
- PRO 10. "Administration Says Colo. Nuns Do Not Need Injunction Against Health Law Provision," Washington Post, Jan. 3, 2014.
- PRO 11. "Justices: Ex-Worker Can't Sue Church," Wall Street Journal, Jan. 12, 2012
- LN 12. "Speak Low if you Speak God," The Economist, Aug. 4, 2012.
- LN 13. "The Rise of the Corporate Chaplain," Businessweek, Aug. 23, 2012.
- LN 14. "How Big Business Can Help itself by Helping Its Neighbors," Businessweek, June 6, 2010.

#### IV. Labor Markets and the Determination of Wages

1. Ch. 6 "Wage Determination and the Allocation of Labor," pp. 171-179 (up to "Allocative Efficiency", and pp. 182-188 ("Wage Determination: Delayed supply Responses").
- RES 2. John Locke, from The Second Treatise of Civil Government, in Combee and Norton, Economic Justice in Perspective, pp. 55-68.
- RES 3. Robert Nozick, from Anarchy, State, and Utopia, in Combee and Norton, Economic Justice in Perspective, pp. 222-248.
- Goog 4. Ayn Rand, The Virtue of Selfishness, "Introduction" pp. vii-xi ("A New Concept of Egoism" 1963), and pp. 92-100 ("Man's Rights", 1963). <http://marsexxx.com/ycnex>.
- Film 5. "Ayn Rand Predicts Obama's End to the Republic," (in class)
- Film 6. Milton Friedman "Responsibility to the Poor". (in class)
- Goog 7. Ronald Nash, "What is Money?".
- RES 8. Excerpts from The Bible, in Combee and Norton, Economic Justice in Perspective, pp. 14-38.
- PRO 9. "When Greed is Not Good," Alan Blinder, Wall Street Journal, Jan. 11, 2010.
- Goog 10. "Brain Gets a Thrill from Charity: Study," [www.reuters.com](http://www.reuters.com), June 14, 2007.
- LN 11. "When People Reckon it's O.K. to Cheat," Businessweek, Oct. 5, 2009.
- PRO 12. "Firms Get Penalized, but Many Workers Don't," Wall Street Journal, Jan. 17, 2014.
- LN 13. "Deeper, Better, NAFTA," The Economist, Jan. 4, 2014.
- PRO 14. "Free Trade Gets Pushback From Democrats," Wall Street Journal, Jan. 14, 2014.
- PRO 15. "Reid Deals Body Blow to Obama on Trade," Wall Street Journal, Jan. 30, 2014.

## V. Compensation (including Fringe Benefits) and Productivity

1. Ch. 7 "Alternative Pay Schemes and Labor Efficiency."
- Film 2. "The Retirement Gamble" (shown in class).
- PRO 3. "What's the Right Ratio for CEO-to-Worker Pay?" Washington Post, Sept. 19, 2013.
- LN 4. "Why We Need a New Approach to Public Unions," U.S. News and World Report, June 18, 2012.
- LN 5. "Public Finance: Those Pension Blues," The Economist, Dec. 7, 2013.
- LN 6. "The Unsteady States of America," The Economist, July 27, 2013.
- LN 7. "Free Exchange: Turning Workers into Capitalists," The Economist, Nov. 23, 2013.

## VI. Income Distribution

1. Ch. 16, "The Distribution of Personal Earnings."
- LN 2. "A Smarter War on Poverty," Business Week, Jan. 13-19, 2014.
- RES 3. John Rawls, from A Theory of Justice, in Combee and Norton, Economic Justice in Perspective, pp. 205-221.
- RES 4. National Conference of Catholic Bishops (1986) from Economic Justice for All: Pastoral Letter on Catholic Social Teaching and the U.S. Economy, in Combee and Norton, Economic Justice in Perspective, pp. 155-176.
- LN 5. "How Income Inequality is Damaging the U.S.," Forbes, Oct. 2, 2012.
- LN 6. "Who Exactly are the 1%?" The Economist, Jan. 21, 2012.
- PRO 7. "Income Inequality: too Big to Ignore," NY Times, Robert Frank, Oct. 16, 2010.
- LN 8. "Homelessness: Tales from the Streets," The Economist, Dec. 7, 2013.
- Goog 9. "Where Do You Rank as a Taxpayer?" [www.kiplinger.com](http://www.kiplinger.com), Jan. 17, 2014.
- LN 10. Workers' Share of National Income, Labour Pains," The Economist, Nov. 2, 2013.
- LN 11. "This is What Would Happen if Fast-Food Workers Got Raises" Businessweek, Aug. 2, 2013.
- LN 12. "Facebook is Bad For You: Get a Life!" The Economist, Aug. 17, 2013.
- Goog13. [www.brookings.edu/articles/2011/1109\\_economic\\_mobility\\_winship.aspx](http://www.brookings.edu/articles/2011/1109_economic_mobility_winship.aspx)

## VII. Migration and Immigration

1. Ch. 9 "Mobility, Migration, and Efficiency."
- PRO 2. "Costs and Benefits of an Immigration Overhaul," Wall Street Journal, Feb. 3, 2013.
- PRO 3. "Crovitz: The Economics of Immigration," Wall Street Journal, Feb. 3, 2013.

- PRO 4. "On the Killing Floor, Clues to the Impact of Immigration on Jobs," Wall Street Journal, Aug. 22, 2013.
- PRO 5. "Illegal Immigrants Flock to Youth Program," Wall Street Journal, Aug. 15, 2012.
- Goog 6. "House GOP Leaders Unveiling Immigration Reform Framework," [www.cbsnews.com](http://www.cbsnews.com), Jan. 30, 2014.
- PRO 7. "Startup Visas Get New Push," Wall Street Journal, Nov. 23, 2012.

## VIII. Unions

1. Ch. 10 "Labor Unions and Collective Bargaining," p. 294 "Labor Unions and Collective Bargaining" up to p. 314 "Efficient Contracts Model," p. 317 "Unions and Wage Determination" up to p. 325 "Strikes and the Bargaining Process," and p. 328 "Asymmetric Information Models," up to p. 330 "Chapter Summary."
- Goog 2. "NLRB Says Wal-mart Retaliated Against Workers," [www.cbsnews.com](http://www.cbsnews.com), Jan. 15, 2014.
- PRO 3. "NHL Races Back to Business," Wall Street Journal, Jan. 7, 2013.
- PRO 4. "Fatigue, Quiet Talks Brought Music Back," Star Tribune, Jan. 19, 2014.
- PRO 5. "Harmony at Last: SPCO Approves New Contract," Star Tribune, April 30, 2013.
- Goog 6. "Indianapolis Symphony Musicians Lockout Over," [www.wthr.com](http://www.wthr.com), Oct. 16, 2012.
- PRO 7. "Breaking: Atlanta Lockout is Over as Players Cave In," [www.artsjournal.com](http://www.artsjournal.com), Sept. 26, 2012.
8. Ch. 11 "The Economic Impact of Unions."
- PRO 9. "Right to Work Economics," Wall Street Journal, Dec. 15-16, 2012.
- Film 10. "American Dream." (shown in class)

## IX. Labor Markets and Public Policy

1. Ch. 12 "Government and the labor Market: Employment, Expenditures, and Taxation," up to p. 373, "The Military Sector; the Draft vs. the Voluntary Army," and p. 385 "The Income Tax and Individual Labor Supply," up to p. 389 "Chapter Summary".
2. Ch. 13 "Government and the Labor Market: Legislation and Regulation".
- PRO 3. "OSHA Stresses Short-term Safety as Long Term Health Issues Go Begging," Star Tribune, March 31, 2013.
- PRO 4. "New Battles in the Workplace," Wall Street Journal, July 23, 2013.
- PRO 5. "Gun Showdown at Work," Wall Street Journal, Dec. 1-2, 2012.
- LN 6. "A Bring Your Gun to Work Movement Builds," Businessweek, March 31, 2011.

## X. Labor Market Discrimination

1. Ch.14 "Labor Market Discrimination."
- LN 2. "So You Want to Hire the Beautiful. Well, Why Not?" Business Week, March 16, 1998.
- Goog 3. Dr. Martin Luther King, Jr., Why We Can't Wait, Ch. 5 "Letter from a Birmingham Jail," pp. 76-95.
- PRO 4. "Mind the Male/Female Income Gap, But Don't Exaggerate It," Forbes, May 21, 2012.
- PRO 5. "Social Media and Bias in Hiring," Wall Street Journal, Nov. 21, 2013.

## XI. Job Search

1. Ch. 15. "Job Search: External and Internal."
- PRO 2. "An Inside Job: More Firms Opt to Recruit From Within," Wall Street Journal, March 29, 2012.
- PRO 3. "Battles Erupt Over Filling Doctors' Shoes," Wall Street Journal, Feb. 4, 2013.
- LN 4. "The Future of Medicine: Squeezing out the Doctor," The Economist, June 2, 2012.
- PRO 5. "Big Data's New Prescription: Tracking Doctors at Work," Wall Street Journal, July 12, 2013.
- PRO 6. "Tracking Sensors Invade the Workplace," The Wall Street Journal, March 7, 2013.
- Film: 7. "The High Price of Health". (shown in class)

## XII. Macroeconomics and Labor Markets

1. Ch. 18 "Employment and Unemployment."
- LN 2. "The Costco Way," Businessweek, April 11, 2004.
- PRO 3. "Workers Share their Salary Secrets," Wall Street Journal, April 17, 2013.
- Goog 4. "European Unemployment Hits New High," [www.global.research.ca](http://www.global.research.ca), Nov. 3, 2013.



## Syllabus

### Description

Labor economics investigates how labor markets function and how they interact with other markets. Households supply labor while firms, governments, and households demand labor. Employment relations between suppliers and demanders of labor play a crucial role in this analysis. A host of topics present themselves, such as labor force participation rates, the length of the workweek, human capital investment in education and other areas, fringe benefits, compensation schemes, unions, turnover, migration, and income distribution. Government decisions concerning issues such as the minimum wage, welfare, health and safety regulation, and discrimination affect labor markets. Labor market analysis occurs at the macroeconomic level, as well as the microeconomic; examples of the former include the impact of fiscal and monetary policies on employment. Labor markets, in turn, affect the overall economy. Institutionalists and radicals offer important perspectives on the labor market topics considered by Neoclassicals, and present new issues.

Theological and philosophical ethics help to guide behavior in labor markets, as well as in the overall economy. Christian ethics, along with Utilitarianism, Libertarianism, Welfare State Capitalism, Marxism, Emotivism, Virtue Ethics, and Deontological ethics, provide examples of such influential frameworks.

### Evaluation

There will be 2 “midterm exams”. The first will count for 20% of the total grade and is scheduled for Friday, Feb. 28. The second will count for 20% of the total grade and is scheduled for Friday, March 21. There will also be a quiz which will count for 5% of the total grade. The quiz is scheduled for April 25. The Final Exam will not be cumulative, and will be 5% of the total grade.

**General Makeup Policy:** If a student misses a quiz, the final paper will count more, accordingly. The quizzes are given at the end of the class period; if a student shows up for class they should take the quiz. There will be no chances to take a “late makeup” quiz. If a student knows they will be gone on the day of a quiz or midterm, they can schedule an “early makeup” on the quiz, and should schedule an “early makeup” on the midterm. Students are expected to take the exams at the scheduled times. If a student cannot schedule an early makeup for a midterm or take the midterm at the scheduled time, they should get an excused absence from the appropriate dean to take a “late makeup” on the midterm.

Each student will also participate in a debate counting for 15% of the total grade. It will be an in-class debate sometime during April 2 – April 9. There will also be worksheets. While none of the worksheets will be graded, students should do all of them so that they can discuss their answers in class.

There will also be a paper due. It should include 6 - 9 pages of writing (double-spaced), and utilize theory and empirical research from the debate topic assigned to the student. It should include theoretical graphs, a bibliography, and proper citations (all in addition to the 6-9 page body of the paper). The theoretical graphs, along with any tables, etc. should appear in appendices which are referenced in the text. The paper need not be argumentative from either the pro or con side of the issue exclusively, but should “take a stand”. The paper should also apply normative analysis from one or more ethical frameworks. A “rough draft” of the paper is due April 16 at 12:55 pm in class, and will count for 15% of the total grade. The bibliography for the paper should include refereed (peer-reviewed) academic journals, among other sources. It should also include a hypothesis. The final draft of the paper is due on May 9 at 12:55 pm in class, and counts for 20% of the total grade.

The paper should allow students to delve into a specific topic more deeply, and foster written communication. The debates should also increase their understanding of specific topics, and improve group work, research, and oral communication skills. Both should also foster understanding of the theoretical and normative frameworks in the course. Work sheets, along with the exams, should also offer learning opportunities to demonstrate the level of understanding of the material.

Class participation will not count for a specific percentage of the grade but will be taken into account.

#### Possible Debate Topics to Choose From

The Recent End to Extensions in Unemployment Insurance

Increases in Effective Tax Rates as Part of a Deficit/Debt Deal

The Impact of Pres. Obama’s Health Care Reform on Labor Markets

The Impact of the Pres. Obama’s proposed minimum wage increase

#### Disability Accommodation

*If you have a documented disability for which accommodations may be required in this class, please contact Connie Ford (ford@stolaf.edu) or Laura Knobel-Piehl (knobel@stolaf.edu) in the Academic Support Center (507-786-3288, Buntrock 108) as soon as possible to discuss accommodations. If you have already arranged accommodations through Student Accessibility Services, please ensure submission of your accommodation letter within the first two weeks of class. Accommodations will only*

*be provided after the letter is submitted to me and with sufficient lead-time for me to arrange testing or other accommodations. **Although I will receive the letter electronically, I expect you to initiate a conversation with me about the accommodations.***

### Use of Electronic Devices in Class

Laptops can only be used for taking class notes. Cell phones should be turned off and cannot be used for calculating or other purposes on quizzes or exams. Other forms and uses of electronic devices in class, except as directed by the instructor, are prohibited.

### Office Hours

My office hours in HH 414A are

T,TH 2 – 4 pm

or by appointment (x-3432). I am often available at other times, but you should call my office first to check if I'm in. You can also email me with questions, as long they require only brief answers.