

Albion College – Fall 2015
Economics & Management 354
Labor Economics

Professor Greg Saltzman

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Office hours: MW 10:00 – 11:00 AM, Th 1:10-2:00 PM

Please feel free to stop by my office without an appointment, though you can make an appointment if you wish. I am frequently in my Albion office at the following times:

Mondays	9:45-11:45 AM
Tuesdays	9:45-11:45 AM
Wednesdays	9:45-11:45 AM
Thursdays	9:45-11:45 AM, 1:10-2:00 PM
Fridays	11:00-11:45 AM

If you make prior arrangements with me, then I am also happy to meet with you in my office most days from 11:45 AM to 12:50 PM.

Classes: MW 2:15 – 4:05 PM, Norris 100

Course web: <http://courses.albion.edu/course/view.php?id=3034>

Log in to the courses.albion.edu site with your username and password, and then choose E&M 354 Labor Economics from the left side. You need to use this enrollment key (password) for the E&M 354 page: E&M354_fall_2015

Prerequisites: E&M 101 is the only required prerequisite. However, E&M 102, E&M 230, and a semester of statistics are helpful. Homework assignments and exams will require students to use economic tools such as supply-demand diagrams, indifference curves, or present value calculations.

An investigation of labor market decisions and outcomes; topics include labor supply and demand, earnings, discrimination and unemployment.

This course meets the Albion College category requirement in ethnicity studies. It is a required course for the E&M major with emphasis in human resources; and it is a restricted elective for the E&M major, the E&M major with emphasis in economics, the Public Policy major, and the Economics minor.

What's this course about?

Labor markets comprise the suppliers of labor (workers), the demanders of labor (employers), and the resulting pattern of wages, employment, and income. This course is designed to introduce you to the theories and tools that economists use to analyze labor markets, as well as some of the results yielded by this analysis. Special attention will be paid to the current and historical labor market outcomes of racial and ethnic minorities in relation to their majority counterparts. Some of the questions we will address include: Who works what jobs and why? How are a worker's wages determined? Does education make workers more productive? How do unions affect labor markets? How does immigration affect labor markets? What impact does a worker's race and gender have on his or her labor market outcome?

Learning Objectives:

At the conclusion of this course you should be able to:

- Understand at a basic level the models and statistical techniques economists use to analyze labor markets
- Interpret critically the results of these analyses
- Gather and interpret economic information relating to labor and labor policy
- Formulate and communicate arguments based on sound and accepted data and models

Required Text: Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, 12th ed. (© 2015, ISBN-13: 9780133462784).

Other Required Readings: available on the course web for this course,

Grading and Course Requirements

Course Requirement	Due Date	Grading Weight
First exam (chs. 1-5)	Wednesday, September 16	25%
Second exam (chs. 6-11, plus some course web readings)	Wednesday, October 21	25%
Third exam (chs. 12-16, plus some course web readings)	Wednesday, November 18	25%
International labor standards paper	Monday, November 23. 2:10 PM	15%
Labor standards oral presentation	Monday & Tuesday, Nov. 30 and Dec. 2	10%
Two or three problem sets	to be determined	ungraded

Tests

There will be three tests. The third test covers only the final third of the course. Tests will be a mix of multiple choice questions, quantitative problems, and short answer questions that will require you to discuss briefly the nature and importance of economic concepts. There will be no test for this course during finals week (December 7-10).

Tests will be graded on a curve. Most students will receive between a 2.7 and a 3.7. There need not be any grades below 2.0, but I am prepared to assign grades as low as 0.0 if I believe that the quality of a student's work is poor.

Problem Sets

There will be two or three problem sets. These will be ungraded, but working the problem sets carefully will help you do better on the tests.

Paper and Oral Presentation on International Labor Standards

Each student must write a short paper (around 10 pages double-spaced, including references) about international labor standards. This paper should address whether to include *enforceable* language relating to International Labor Organization (ILO) core labor standards in the Trans-Pacific Partnership (TPP) deal now being negotiated by the U.S. and 11 other countries. This paper must be emailed as an attached Microsoft Word file to Greg Saltzman (gsaltzman@albion.edu) no later than 2:10 PM on Monday, November 23.

In addition to these papers submitted by each student individually, there will be oral presentations on the same topic by teams of 2 or 3 students. These presentations will be during the last two days of class (Monday, November 30, and Wednesday, December 2). Oral presentations should include a PowerPoint file. Each team must email their PowerPoint file to Greg Saltzman no later than 2:10 PM on Wednesday, December 2.

Note that the TPP negotiations may be concluded, or may break down in failure, during the course of this semester. *For purposes of this assignment, please assume that the TPP negotiations are still underway as of the end of the fall 2015 semester and that it is still timely to consider whether enforceable labor standards ought to be included in the TPP deal.*

Objectives of this assignment

- Honing your skills in English composition, oral presentations, and effective argument
- Developing your skills in finding and making use of information from credible sources
- Stimulating you to think carefully about a current labor policy issue
- Developing your skills as an advocate for a proposal

Background on the TPP and ILO core labor standards

The Trans-Pacific Partnership is a multilateral international economic agreement now being negotiated by the following 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. TPP is often characterized as a free-trade deal, but it extends beyond tariffs and import quotas. TPP also addresses standards for government regulation of business, protection of intellectual property, environmental protection, investor-state dispute settlement mechanisms, labor standards, and other issues.

TPP is important as a template for possible future international economic agreements with China (which was not invited to participate in the TPP negotiations) or the European Union. The U.S. has begun negotiations with the EU on the Trans-Atlantic Trade and Investment Partnership (TTIP), but TTIP negotiations are on hold until the TPP negotiations have been completed.

The International Labor Organization has adopted many labor standards but has no power to enforce these standards. There is no official list of which of these are “core” standards. But for purposes of this assignment, please consider the following to be ILO core labor standards:

- The right of employees to organize and join labor unions
- The right of employees to engage in collective bargaining
- Elimination of forced and compulsory labor
- The abolition of child labor
- Elimination of workplace discrimination on grounds of sex, race, skin color, national origin, social origin, religion, political opinion, disability

A TPP deal, if one is reached, almost surely will include language supporting these ILO core labor standards. The question for your paper and your oral presentation is whether this language should be *enforceable*. Some previous international economic agreements, such as NAFTA, have included tough enforcement language to protect investors from infringements of their private property rights but only nonbinding language regarding labor standards. *Enforceable* labor standards would mean that (1) an employee, a labor union, or an anti-discrimination organization could file a complaint with an international arbitration tribunal, alleging that a national government that signed the TPP has failed to enforce a labor standard, (2) the international arbitration panel could make a factual determination as to whether the complaint is valid, (3) the international arbitration panel could order an appropriate remedy for a violation of a labor standard, and (4) there would be sanctions if the national government does not implement this remedy.

Your task in the labor standards paper and oral presentation

Pick only *one* of the ILO core labor standards listed above. If you pick elimination of workplace discrimination, then pick only one of the impermissible grounds (e.g., religion). Take a position either for or against including enforceable language regarding this core labor standard in the TPP deal. Justify your position.

I will **not** base my grade for your labor standards paper or your oral presentation on the extent to which your policy views coincide with mine. Rather, I will base my grade on your effectiveness in argumentation and advocacy, regardless of what position you advocate.

I recommend, but do not require, that you coordinate plans with the other person or persons in your oral presentation group when choosing the core labor standard to address in your paper. Ideally, all of the members of your oral presentation group would address the same core labor standard in their papers so that the research for your individual papers would be directly relevant to your group oral presentation.

Assumed audience for paper and oral presentation

You could write your labor standards paper, or give your labor standards oral presentation, from the perspective of any of the 12 nations currently part of the TPP negotiation. For example, if you were advising the government of Malaysia, should that government support including in the TPP an enforceable standard protecting the right of employees to engage in collective bargaining?

Assume that your readers are senior staff for members of a national legislature whose political views vary but all of whom have some responsibilities related to international trade agreements or labor standards. Assume that your readers are all university graduates, though you cannot assume that they had studied a particular field such as business, economics, or law. Give them all of the information they need, but omit unnecessary information. You do not have to present a comprehensive history of international trade deals or labor standards from 1945 to the present.

What I expect from you in the labor standards paper

- (a) **Articulate** your position. Take a stand one way or the other on including an enforceable ILO labor standard in the TPP agreement. Present a brief statement of your position in the very first sentence of the paper (when your reader is likely to be especially attentive), and then elaborate on this statement later in the paper. For example, “The Trans-Pacific Partnership trade agreement should include enforceable language requiring signatory nations to eliminate discrimination based on religion,” or, if you prefer, “The Trans-Pacific Partnership trade agreement should **not** include enforceable language requiring signatory nations to eliminate discrimination based on religion.”
- (b) **Describe** the problem that including this enforceable labor standard is intended to address. Why is the inclusion or exclusion of labor standards in the TPP deal an important issue about which the reader should care? You must get your reader’s attention.
- (c) **Analyze** the problem and this enforceable labor standard as a potential solution, providing a balanced consideration of the positions of various stakeholders. A balanced account of the issues will enhance your credibility.
- (d) **Support** your position to adopt, or **NOT** adopt, this enforceable labor standard. Present a convincing rationale, showing how your proposal meets the social need that you

described in (b). Predict what would happen if your proposal is adopted, as well as what would happen if it is **not** adopted.

Cite credible sources for important factual information. Internet sites can be a valuable source of information about recent developments. Nevertheless, remember that poorly informed people, crackpots, and extremists sometimes post incorrect statements on the Internet. You must carefully assess the credibility of any sources from which you draw information from your paper. Scholarly journals with peer review of research are usually more reliable than random Internet sites, though even scholarly journal articles may be strongly influenced by their authors' political views on labor standards issues.

At the end of your paper, list all works cited. Each reference should list enough information so that your reader could easily locate the document. I am flexible about the exact format you use, but here are some examples of reference entries:

Stolper, Wolfgang F., and Paul A. Samuelson, "Protection and Real Wages," *The Review of Economic Studies*, Vol. 9, No. 1 (Nov. 1941), pp. 58-73.

International Labour Organization, "Introduction to International Labour Standards," 2015, available online 10 August 2015 at <http://www.ilo.org/global/standards/introduction-to-international-labour-standards/lang--en/index.htm>

Within the text of your paper, use footnotes, endnotes, or a citation system such as "[International Labor Organization (2015)]" to indicate what your source was for particular facts or arguments.

Any time that you use the exact words of a source that you consulted, you **MUST** use quotation marks and cite not only the author and year of the source, but also the specific page number from which the quotation is drawn.

- (e) **Acknowledge** the limitations of your position. Demonstrate that you understand the weaknesses of your position (every position has them), potential unintended consequences, and barriers to implementation of your proposed policy. You need to show that you are aware of the strongest arguments against your position and have compelling counter-arguments. Use a judicious tone, rather than using harsh or sarcastic language to characterize those who might disagree with you.
- (f) **Conclude** with a summary of the reasons why your position should be adopted, notwithstanding the limitations.

Remember that this is not a purely academic paper where you explain a controversial issue. This is an **advocacy** paper in which you must try to persuade your reader to take the action that you recommend.

English composition and formatting guidelines for labor standards paper

- Eliminate errors of spelling, word usage, and grammar. Check your paper for faulty punctuation, incomplete sentences, and run-on sentences. Pay heed to the spelling and grammar alerts from your word processing software. Also, pay heed to the “Common Writing Errors” document on the course web for this course. You may wish to ask someone at Albion’s Writing Center to review a draft of your paper.
- Make sure that you express your ideas clearly. When in doubt, read your paper to a roommate or a friend to see if he or she understands what you are trying to say.
- Omit needless words.
- Organize your paper well. Each paragraph should have one central idea, and paragraphs should be arranged in a logical order.
- Give your readers signals to indicate where you’re going. For example, you could announce the topic for a paragraph with a sentence such as, “There are three main reasons why the TPP should not include enforceable provisions banning employment discrimination on grounds of religion.” Transitional sentences or phrases at the beginning or end of paragraphs may also help your reader.
- Please number all pages with the exception of the cover page.

Detailed guidelines for labor standards oral presentation

For your paper assignment, you have already done some research and thinking about including enforceable labor standards in the TPP agreement. This oral presentation covers the same substantive material, but in an oral rather than written format. The oral presentation also differs in that it is a group rather than individual assignment. These guidelines address issues specific to the oral presentation assignment.

- (1) Put your key points at the beginning and the end of your talk. The audience may not be paying as much attention in the middle.
- (2) Make sure in advance of your talk that you know how to operate the PowerPoint projection system in our classroom. You should load your PowerPoint presentation onto the computer in our classroom before class starts and try to use it.
- (3) Near the beginning of your presentation, get your audience's attention. Why should your audience care about this topic? Why does the government need to do something (or avoid intervening)? You must motivate people to act.
- (4) Clearly state your proposal, or the proposal that you oppose. Your audience does not have the chance to reread what you state; they must be able to understand your proposal simply from hearing your presentation. Present your recommendation in general terms at the beginning of your talk ("Today, we are going to recommend that the government of Japan seek to include an enforceable right to collective bargaining in the Trans Pacific Partnership trade agreement"), and then present it again in more detail later in your talk.
- (5) Your audience members are busy people; if your oral presentation drags on without seeming purpose, they may interrupt and ask you to finish within 90 seconds.

(6) Show how your proposal meets the social need you described in (3). Predict what would happen if your proposal is adopted, as well as what would happen if it is not adopted. Consider possible unintended consequences.

(7) Summarize relevant experience or scholarly literature.

(8) Provide at least a rough estimate of the economic and social impact of implementing your proposal. (I realize that you lack the data for a precise estimate.)

(9) Identify the stakeholders and their positions, including those who disagree with you. You need to show that you are aware of the strongest arguments *against* your proposal and have compelling counter-arguments. A balanced account of the issues and a judicious tone will enhance your credibility.

(10) Bring your talk to a definite conclusion, rather than simply ending in midstream. Alert your audience that you are concluding. (This should get their attention.) You could summarize your key points, and you should clearly explain the specific actions that need to be taken.

(11) Be cautious about using audio, video, or other bells and whistles in your PowerPoint presentation. If not done right, these can undermine the audience's respect for the seriousness of your proposal.

(12) Do not put too much text on any one PowerPoint slide; instead, break a lengthy item into two or more slides.

(13) If you wish to present detailed tables, then you should distribute paper copies to each member of the audience, as it is difficult for people to read small numbers on a projection screen.

(14) If you distribute handouts, avoid distributing them until you are ready to have your audience read them. Otherwise, your audience may be busy reading a handout when you want them to be listening to you.

(15) Rehearse your talk. Ideally, you will know your talk well enough that you will only occasionally need to refer to notes. That way, you can maintain eye contact with the audience. Also, rehearsing will help you minimize your use of "uh," "you know," etc.

(16) ***Each member of the group must speak during your PowerPoint presentation for at least four minutes***, even if one member of the group is a much smoother speaker than another. Experience in public speaking in English is part of the educational mission of this course.

(17) Plan to talk for roughly 15 minutes per group, not counting questions.

(18) Make sure that you know your subject well enough to answer questions.

(19) One member of each group must email your group's PowerPoint slides to Greg Saltzman (gsaltzman@albion.edu) by 2:10 PM on Wednesday, December 2.

(20) Every member of each group must complete and submit a peer evaluation form assessing

the contribution to your group's efforts by each other member of the group.

(21) Grades for the oral presentation will be a mix of a group grade for the PowerPoint and for the overall quality of the presentation, an individual grade based on your individual effectiveness in speaking, and an individual grade based on peer evaluations regarding the quantity and quality of your contributions to the group's efforts.

Additional Albion College Information, Policies, and Resources

Academic Integrity

Albion College has adopted the following statement on academic integrity: "As an academic community, Albion College is firmly committed to honor and integrity in the pursuit of knowledge. Therefore, as a member of this academic community, each student acknowledges responsibility for his or her actions and commits to the highest standards of integrity. In doing so, each student makes a covenant with the college not to engage in any form of academic dishonesty, fraud, cheating, or theft."

I encourage the students to work together in study groups on the problem sets and to prepare for the tests. But you are not permitted to consult anyone else, any books, or any notes (whether paper or electronic) while you are taking the tests; nor are you permitted to use a cell phone (even the calculator functions of a cell phone) while you are taking the tests. If you violate this policy, I will give you a zero on the test and report you to the dean's office for further disciplinary action (which can include expulsion from Albion College in cases of second offenses).

For the debate paper, you must cite your sources for ideas, information, and direct quotations. If your paper contains a direct quotation from somebody else's work but does not put this in quotation marks and cite the source, then I will give you a zero on the paper for plagiarism and report you to the dean's office.

Attendance

It is essential that students show up for class on the days when we have tests. I will not be taking attendance on other days; but students who attend class regularly and are attentive in class systematically learn more and get better grades than students who miss class or are inattentive.

Academic Skills Center and Disability Statement

The ASC, located on the third floor of the Seeley Mudd Building of the Library, supports student success at Albion College through the Learning Support Center, the Quantitative Skills Center, and the Writing Center. The ASC also coordinates academic peer tutoring services and educational technologies for enhancing student learning. For information, visit the ASC website at <http://www.albion.edu/asc>.

If you have a disability and may require accommodations or modifications in class instruction or course-related activities, please contact the Learning Support Center (LSC) staff who can arrange for reasonable accommodations for students who provide documentation of their disability/condition. If you are presently registered with the LSC and have requested accommodations through the LSC for this semester, please plan to meet with me as early as possible to discuss the best way to implement these accommodations in this class. The LSC's phone number is (517) 629-0825.

The Quantitative Skills Center provides a wide range of support to students in many subject areas. Students are free to drop in for occasional help from trained student tutors or to make appointments for on-going tutorial sessions. QSC staff members are available to assist you with the use of mathematics, statistics, spreadsheets, or interpretation of graphs in any course.

The Writing Center provides trained peer consultants prepared to work with writers at every stage of the writing process--from getting started brainstorming to writing drafts, and from organizing ideas to revising or final editing. Writing consultants support students by responding to writing in process, not by proofreading, editing, or writing students' papers. Both drop-in tutoring and scheduled appointments are available during the Writing Center's afternoon and evening hours.

Tentative Class Schedule

Week	Topics to be Covered	Textbook Readings
1 Aug 24	<ul style="list-style-type: none"> • Introduction • Overview of Labor Market 	Chap. 1 Chap. 2
2 Aug 31	<ul style="list-style-type: none"> • Demand for Labor • Labor Demand Elasticities 	Chap. 3 Chap. 4
3 Sep 7	<p><i>No classes Monday, September 7 (Labor Day)</i></p> <ul style="list-style-type: none"> • Labor Demand Elasticities (continued) <p><u>Reading:</u> David Coates, "Defending Trade Unions as Labor Day Approaches," <i>The Huffington Post</i>, August 31, 2011.</p>	Chap. 4
4 Sep 14	<ul style="list-style-type: none"> • Frictions in the Labor Market, Search <p style="text-align: center;">FIRST TEST: WEDNESDAY SEPT. 16 (covers chs. 1-5)</p>	Chap. 5
5 Sep 21	<ul style="list-style-type: none"> • Labor Supply • Household Production (brief) 	Chap. 6 Chap. 7

Week	Topics to Be Covered	Textbook Readings
6 Sep 28	<ul style="list-style-type: none"> • Compensating Differentials • Human Capital & Signaling 	Chap. 8 Chap. 9
7 Oct 5	<ul style="list-style-type: none"> • Human Capital & Signaling (continued) • Migration, Immigration, and Worker Turnover <p><u>Readings:</u> Orley Ashenfelter, “How Convincing is the Evidence Linking Education and Income?” Working paper #292, Industrial Relations Section, Princeton University, November 1991. Claudia Goldin and Lawrence F. Katz, “The Future of Inequality,” <i>The Milken Institute Review</i>, Third Quarter 2009, pp. 26-33. Andrew Weiss, “Human Capital Augmentation vs. Signaling Explanations of Wages,” <i>Journal of Economic Perspectives</i>, Vol. 9, No. 4, Fall 1995, pp. 133-153. George Borjas, “Immigration and the American Worker: A Review of the Academic Literature,” Center for Immigration Studies, April 2013, available July 31, 2015, at: http://cis.org/sites/cis.org/files/borjas-economics.pdf (<i>skim</i>)</p>	Chap. 10
8 Oct 12	<p><i>No classes Monday, October 12 (fall break)</i></p> <ul style="list-style-type: none"> • Worker Compensation and Productivity 	Chap. 11
9 Oct 19	<ul style="list-style-type: none"> • <i>Eyes on the Prize</i>: Videos on US race relations, Monday, October 19 <p>SECOND TEST: WEDNESDAY, OCT. 21 (covers text chs. 6-11, plus course web readings)</p>	None

Week	Topics to be Covered	Textbook Readings
10 Oct 26	<ul style="list-style-type: none"> • Race, Gender, and Ethnicity in the Labor Market <p>Readings:</p> <p>Reynolds Farley, "Civil Rights and the Status of Black Americans in the 1960's and the 1990's," in C. Michael Henry (ed.), <i>Race, Poverty, and Domestic Policy</i> (New Haven, CT: Yale University Press, 2004), pp. 270-309.</p> <p>William J. Wilson, <i>More Than Just Race: Being Black and Poor in the Inner City</i> (New York: W.W. Norton and Co., 2009), ch. 1, "Structural and Cultural Forces That Contribute to Racial Inequality." Available August 5, 2015, at: http://books.google.com/books?id=ngvrlY1rjToC&printsec=frontcover&cd=1&source=gbs_ViewAPI#v=onepage&q&f=false</p> <p>Cass R. Sunstein, "Why Markets Don't Stop Discrimination," in Cass R. Sunstein, <i>Free Markets and Social Justice</i> (Oxford University Press, 1997), pp. 151-166.</p> <p>Charles Murray, "Poverty and Marriage, Income Inequality and Brains," <i>Pathways</i>, Winter 2008, pp. 21-24.</p> <p>C. Michael Henry, "Introduction: Historical Overview of Race and Poverty from Reconstruction to 1969," in C. Michael Henry (ed.), <i>Race, Poverty, and Domestic Policy</i> (New Haven, CT: Yale University Press, 2004), pp. 1-55.</p>	Chap. 12
11 Nov 2	<ul style="list-style-type: none"> • Race, Gender, and Ethnicity in the Labor Market (continued) • Labor Market Effects of International Trade <p>Reading:</p> <p>Hongbin Li, Lei Li, Binzhen Wu, and Yanyan Xiong, "The End of Cheap Chinese Labor," <i>Journal of Economic Perspectives</i>, Vol. 26, No. 4, Fall 2012, pp. 57-74.</p>	Chap. 16
12 Nov 9	<ul style="list-style-type: none"> • Unions • Unemployment 	Chap. 13 Chap. 14
13 Nov 16	<ul style="list-style-type: none"> • Inequality in Earnings <p>THIRD TEST: WEDNESDAY, NOV. 18 (covers text chs. 12-16, plus course web readings)</p>	Chap. 15
14 Nov 23	<p>INTERNATIONAL LABOR STANDARDS PAPER DUE MONDAY, NOVEMBER 23</p> <p><i>No classes Wednesday, November 25 (Thanksgiving break)</i></p>	None
15 Nov 30	<p>STUDENT ORAL PRESENTATIONS ON INTERNATIONAL LABOR STANDARDS</p>	None
Dec 7	There will be no exam during final exam week for this course.	