**Economics of Wages and Income ECO 5322-001**  
**Tuesday, Thursday 11:00 am-12:20 pm HH 127**  
**Course Syllabus-Fall 2012**

**Professor:** Dr. Andres J. Vargas  
**Office:** HH 252  
**Office Hours:** Tues, Thurs 1:30 am - 2:30 pm or by appointment  
**Email:** andres.vargas@ttu.edu  
**Phone:** 806-742-2201

**Class Web Page:** Students should check Blackboard for information about the class.

**Required Textbook:**  
- Labor Economics, by Pierre Cahuc, André Zylberberg, MIT Press, 2004

**Additional Reading Material:**  
- Class readings will also be based on published papers (see reading list)

**Prerequisites:** ECO 5312: Microeconomic Analysis and ECO 5314: Econometrics I

**Course Overview:** This course examines from a theoretical and empirical point of view the factors that determine wage differentials among workers. Initially, the discussion focuses on how workers differences in their preferences for jobs’ characteristics and firms’ differences in the working conditions affect wages. Subsequently, the class turns to an examination of why wages and employment opportunities may differ among equally skilled workers because of their race, gender, national origin, and other seemingly irrelevant characteristics. Afterwards, the class covers the nature of the employment contract between the worker and the firm, efficiency wages and rent sharing. This is followed by an analysis of how unions influence the terms of employment relations between workers and firms. Finally, the course covers job turnover, how labor mobility improves the allocation of workers to firms, and wage dynamics.

**Learning Outcomes:** Students successfully completing the course should be able to:

- Examine the role played by jobs’ characteristics in generating wage differentials among workers, and identify their various estimation techniques;  
- Distinguish factors that affect earnings inequality and labor market discrimination;  
- Differentiate the various types of employment contracts and how they affect the nature of the interaction between the worker and the firm;  
- Identify how unions influence the terms of employment relations between workers and firms.  
- Identify how labor mobility improves the allocation of workers to firms;  
- Analyze the dynamics of wages within firms and throughout the life cycle;  
- Examine contemporary labor market issues based on demand and supply analysis.
Course Requirements and Assessment:

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<td>Presentation</td>
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<td>Research Proposal/ Term Paper</td>
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<td>Midterm Exam</td>
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**Presentation:** Each student will present one article in class during the semester. This presentation should be no longer than 15-20 minutes. Within one week after your presentation, a written report based on the article is due. The presentation and article report should contain a concise statement of the author’s research question; a brief outline of how the author answers the question including methods and data; and a list of critiques, praise, or questions you have regarding the adequacy of the methodology.

**Research Proposal:** You should write a research proposal and turn it in by the last day of class (December 4th). The most desirable proposal will be a small, but original theoretical or empirical study. An empirical paper could, for example, replicate a study in the literature using a different set of data. Alternatively, a theoretical paper might be a small extension of a substantive idea in a labor-related area. The research proposal must be related to labor economics, contain a comprehensive literature review and must offer convincing support of need for the research study being proposed. In addition to providing rationale for the proposed research, the proposal must describe a detailed methodology for conducting the research including the data set and econometric model to be used.

The proposal should be arranged roughly into the following sub-sections:

1. Introduction: Research Question
2. Literature Review
3. Theoretical Framework
4. Sources of Data
5. Methodology
6. Expected Results
7. References

**Term paper:** Alternatively, if this is your second labor class, you can continue working on the proposal that you turned in last semester. However, you must turn in a finished paper by the last day of class (December 4th). The outline of the paper should be similar to the research proposal described above adding descriptive statistics, results, and conclusions.

I encourage you to come to see me early and often regarding the research proposal or the term paper.
**Exams:** There is one in class mid-term exam on October 4th. The mid-term counts 30 percent of your grade. The final exam will be held from 7:30 a.m. to 10:00 a.m. on Saturday December 8th, covers the material after the midterm, and counts for 30 percent of your grade.

**Make-up examinations:** It is your responsibility to arrive at the exam on time. Exams will be held in our regular classroom. Students who arrive late will not be given additional time, and anyone arriving after other students have finished will not be permitted to take the exam.

Failing to take a scheduled examination will result in a score of 0 unless replaced by a make-up exam in a timely fashion. ‘Make-up’ examinations are given at the discretion of the instructor, and will only be given in cases where there is a documented excuse beyond your reasonable control:

- Illness – you must have a physician note indicating that you were not in a physical condition to take the exam at the scheduled time. A note from a family member is insufficient.
- Death or grave illness in your immediate family.
- Significant scheduling conflicts such as job interviews or official TTU business. In this case, you must inform the instructor before the scheduled exam you may miss so that an alternate exam time can be scheduled.

No exam will be made-up after it has been graded and returned to the class.

**Grading:** All the grades will be posted on Blackboard. If you think that a grading error was made, you may submit a typed appeal within a week (7 days) of when the grade was returned to you. Your written appeal should be based on course materials and should stress the validity of your original response. Please staple your typed justification to your original exam/quiz. In grading (and re-grading) we will strive for fairness and consistency.

**Civility in the Classroom:** Students are expected to assist in maintaining a classroom environment that is conducive to learning. In order to assure that all students have the opportunity to gain from time spent in class, unless otherwise approved by the instructor; students are prohibited from engaging in any other form of distraction. Inappropriate behavior in the classroom shall result, minimally, in a request to leave class. **Wireless phones** must be turned off during class time.

**Attendance:** Attendance is required and will be monitored. Excessive absence (over 7 classes) will result in (i) informing the dean of students to take proper action, (ii) lowering your final grade from A to B, from B to C, from C to D, or from D to F.

**Academic Integrity and Dishonesty:** Cheating and plagiarism will not be tolerated. Terms associated with academic misconduct are explained in the current Code of Student Conduct.
Students that knowingly take any action that violates the Texas Tech University Code of Student Conduct are subject to disciplinary action including, but not limited to, the possibility of failure in the course.

**Students with Disabilities:** Any student who, because of a disability, may require special arrangements in order to meet the course requirements should contact the instructor as soon as possible to make any necessary arrangements. Students should present appropriate verification from Student Disability Services during the instructor’s office hours. Please note instructors are not allowed to provide classroom accommodations to a student until appropriate verification from Student Disability Services has been provided. For additional information, you may contact the Student Disability Services office at 335 West Hall or 806-742-2405

**Religious Holy Days:** Religious holy days sometimes conflict with class and examination schedules. The University policy is that students that miss course work due to the observance of a religious holy day must be given the opportunity to complete the work missed within a reasonable time after the absence. Notification must be made in writing and delivered in person to the instructor no later than the 15th class day of the

**READING LIST:**

I. **Compensating Wage Differentials**

- Cahuc and Zylberberg, Chapter 5.

II. Labor Market Discrimination

• Cahuc and Zylberberg, Chapter 5
• Gary Becker. The Economics of Discrimination, University of Chicago Press, 1957
• Judith

III. Contract Theory

• Cahuc and Zylberberg, Chapter 6
• Robert Gibbons and Kevin Murphy, "Relative Performance Evaluation for CEOs," Industrial and Labor Relations Review, 43, 1990, 30S-51S.
• Bengt Holmström, "Moral Hazard and Observability," Bell Journal of Economics, Spring 1979
• Bengt Holmström, "Managerial Incentive Schemes - A Dynamic Perspective" in Essays in Economics and Management in the Honor of Lars Wahlbeck, 1982
• Marianne Bertrand and Sendhil Mullainathan, “Do CEO’s Set Their Own Pay The ones without principals DO”. Quarterly Journal of Economics, August 2001

IV. Unions & Collective Bargaining

• Cahuc and Zylberberg, Chapter 7

V. Job Turnover and Wage Dynamics

• Cahuc and Zylberberg, Chapter 9
• Henry Farber, “Mobility and Stability: The Dynamics of Job Change in The Labor Markets” chapter in The Handbook of Labor Economics, volume III B, 1999