

**University of Illinois at Urbana-Champaign
Department of Economics**

ECON 448 Employee Compensation and Incentives

Fall 2025
Credit: 3 hours

Tue & Thurs 12:30-1:50pm
333 Armory

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Office Hours:	Tue & Thurs 2:00-3:00pm; or by appointment

COURSE DESCRIPTION

Compensation is a critical tool for organizations to attract, retain, and motivate its workforce. The course introduces major principles in compensation design and examines the incentives embedded in compensation system from an economic perspective. We will examine a range of topics including forms of pay, incentive theory, pay structure, pay-for-performance, and employee benefits. You are expected to develop skills to collect compensation data and relevant information, design a compensation plan, and perform data analysis to critically evaluate compensation practices. The lectures and various class activities including in-class exercises & discussions, as well as individual and team projects which are designed to achieve the learning goals.

PREREQUISITES

Basic and intermediate-level microeconomics (ECON 302), and basic-level statistic course (ECON 202) are the prerequisites for this class.

READINGS

1. Textbook: Jerry M. Newman, Barry Gerhart, George T. Milkovich (2023). *Compensation* (13rd or 14th Edition).
2. Supplemental reading: Kevin F. Hallock (2012). *Pay: Why People Earn What They Earn and What You Can Do Now to Make More*. Cambridge.
3. Other required and optional readings will be distributed electronically on course Canvas website.

COURSE WEBSITE

This course uses Illinois Canvas as the course website. Students registered for the course may log in at <https://canvas.illinois.edu/>. This website will contain lecture notes, supplementary readings, and other useful resources. Please check the course website regularly.

ATTENDANCE POLICY

This course requires your regular attendance. Attendance includes arriving on time and remaining until the end of the session. If you are unable to attend certain class sessions due to university excused reasons, please notify the instructor in advance.

EXAMINATION INFORMATION

Midterm exam: **10/16/2025**, in class.

Final exam: University scheduled; see final exam schedule at: <https://registrar.illinois.edu/final-exam-schedule-public>

GRADING

For those of you taking the course for a standard 3-credits, grades will be determined based on:

Component	Percentage of Total Points
Class Participation	5%
Quizzes	10%
In-class Exercises	20%
Assignment	15%
Midterm	25%
Final Exam	25%
Total	100%

For those of you taking the course for 4-units of grad credit, grades will be determined based on:

Component	Percentage of Total Points
Class Participation	5%
Quizzes	10%
In-class Exercises	10%
Assignment	15%
Midterm	25%
Final Exam	25%
Term Paper	10%
Total	100%

Letter grades will be assigned as follows:

A+	97-100%	B+	87-89.9%	C+	77-79.9%	D+	67-69.9%
A	93-96.9%	B	83-86.9%	C	73-76.9%	D	63-66.9%
A-	90-92.9%	B-	80-82.9%	C-	70-72.9%	D-	60-62.9%
						F	Below 59.9%

The grading components are described below:

Class Participation: Active participation in class activities is important to maximize learning goals. Your role as a student is not only to passively receive knowledge, but also to actively share your knowledge, your experience, your perspectives on issues and your meaningful questions that contribute to the learning of the class. Your class participation can be demonstrated by your preparedness for each class, your thorough understanding of the assigned readings, your active involvement in class activities, and your meaningful questions or comments during lectures and discussions. Your class participation is graded as the following:

0	– Absence, or
	– Not participate in any class activities.
	– Never provide comments or ask questions.
1-2	– Presence.
	– Occasionally involve in class activities (for example, occasionally contribute to group discussions; provide some input)
3	– Presence.
	– Regularly involve in class activities (for example, regularly contribute to group discussions; provide relevant comments or questions).
4	– Presence.
	– Actively participate in class activities (for example, actively involve in class discussions; provide relevant, and sometimes, meaningful comments or questions).
5	– Presence.
	– Always actively participate in class activities (for example, always actively participate in group discussions; always provide meaningful comments, questions or examples that contribute to lecture and discussion).

Note that *class participation* is NOT *attendance*. As a student, it is your responsibility to attend all classes and be on time. You do not earn any credits for class participation by merely sitting in class without participation or contribution. In addition, being absent and/or late multiple times will lower your contribution to classroom grades simply because you have fewer opportunities to participate in class activities and contribute to the class.

Quizzes: In many classes there will be a short quiz. This is to provide a small incentive for you to adequately prepare for each class and keep up with the course content. You are allowed to drop ONE lowest quiz score. You will receive a score of zero for any quiz that you miss without a university excused and documented reason. If your absence is due to a university excused reason, you can be given a chance to make up the quiz within **14** calendar days if you notify me before the class and provide supporting evidence.

In-class Exercises: In many lectures we will have in-class exercises which are NOT announced in advance. You are allowed to drop ONE in-class exercise score. You will receive a score of zero for any in-class exercise that you miss without a university excused and documented reason. If your absence is due to a university excused reason, you can be given a chance to make up the exercise within **14** calendar days if you notify me before the class and provide supporting evidence.

Some in-class exercises require after-class time to complete and will be assigned as homework and the due dates will be announced in class (Note: late submission are not accepted unless for valid reasons, and there will be a **1-point deduction** for each day after the due date, including weekends).

Exams: There are two exams for the class, including the final exam.

- Each exam will include all the contents of the topics to be tested, including lectures, textbook chapters, assigned readings, in-class exercises & discussions, videos, etc. More information about the specific content and format of the exams will be provided before each exam. You need to carefully study the lecture notes for all the exams.
- Exams must be taken at the scheduled time. If you miss one of the midterm exams for a university excused reason, you must notify me BEFORE the exam begins. The final exam will be used as a make-up of the final score only for those that provide supporting evidence, and an absence letter from Student Assistance Center in the Office of the Dean of Students may be required under certain circumstances. Failure to take an exam at the scheduled time without approval will result in zero grade for this exam.
- Conflict exam can be offered if you qualify for such accommodation (see [Student Code Article 3 Part 2](#)). If you believe you are eligible for a conflict exam, you must notify me as soon as possible but no later than two weeks before the date of exam.

Term Paper: Only those students who are taking the course for 4 grad credit hours will be required to complete a term paper. More information on the term paper will be provided later in the semester.

COURSE POLICIES

Attendance: Attendance to class is mandatory. If you miss a class, it is your responsibility to find out from the instructor or your classmates what material was covered and what handouts you may have missed. There are **NO make-ups** for in-class exercises, quizzes or exams. Exceptions can be made only if your absence is for a university excused and documented reason. If your absence is due to a university excused reason and would like to make up any quiz or in-class exercise, you must notify the instructor in advance and provide supporting evidence (e.g., illness with a doctor's note). If you miss one of the midterm exams for a university excused reason, you must notify me before the exam begins. Accommodations will be offered only for those that provide supporting evidence (an absence letter from Student Assistance Center in the Office of the Dean of Students may be required under certain circumstances). Failure to take an exam at the scheduled time without approval will result in zero grade for this exam. Please refer to the [Student Code \(Article 1 Part 5\)](#) regarding the university policy governing class attendance.

Classroom Conduct: You are expected to engage in respectful interactions with the instructor and your fellow students to foster a positive learning environment. Any behaviors that would distract others in classroom are prohibited. Such behaviors include but are not limited to: arriving class late, leaving class earlier, chatting with classmates, talking on the phone, texting, unnecessary computer and internet use such as playing video games, browsing social network websites, checking or composing email, etc. Violation of the appropriate classroom conduct will negatively

affect class participation grades, and lead to restrictions on your cellphone/laptop use, or being asked to leave the classroom, depending on the frequency and severity of the violation.

Regrading Request: All requests for re-evaluation of graded items (e.g., exams, exercises, quizzes) must be submitted in writing within 7 calendar days after you receive your graded assignment or exam; re-grading request submitted after 7 calendar days will not be accepted. The instructor reserves the right to re-grade the entire assignment or exam (not only the question in which you think there may be a mistake).

Academic Integrity: According to the Student Code, ‘It is the responsibility of each student to refrain from infractions of academic integrity, from conduct that may lead to suspicion of such infractions, and from conduct that aids others in such infractions.’ Please know that it is my responsibility as an instructor to uphold the academic integrity policy of the University, which can be found here: <https://studentcode.illinois.edu/article1/part4/1-401/>

Academic dishonesty may result in a failing grade. Every student is expected to review and abide by the Academic Integrity Policies. It is your responsibility to read this policy to avoid any misunderstanding. Do not hesitate to ask the instructor(s) if you are ever in doubt about what constitutes plagiarism, cheating, or any other breach of academic integrity. Read the full Student Code at <https://studentcode.illinois.edu/>

Use of Class Notes and Materials: Taking notes is a means of recording information but more importantly of personally absorbing and integrating the educational experience; it must not be for the purpose of selling or re-distribution since course materials are protected by the US copyright laws. You must not make audio or visual reproductions of any portion of any class, or upload course materials including the course syllabus on any non-university website, without the explicit permission from the instructor. According to the university policy regarding sale or distribution of lecture notes or course materials ([Student Code Article 1 Part 3](#)):

“No student shall sell, deliver or distribute copyrighted lecture notes or other course materials without the express permission of the copyright holder. An example of an infraction would include posting on a website or selling instructor copyrighted slides, lecture notes or other expressions fixed in a medium. (See also the University General Rules, Art. III, §4 regarding copyright policy.)”

GENERATIVE AI POLICIES

All use of Gen-AI programs must comply with all University policies, including the [University of Illinois System Generative AI Principles](#), the University’s academic integrity policy in the Student Handbook and any guidelines provided by the department.

While Gen-AI may be used to begin the process of researching and to provide editing assistance, Gen-AI-generated content is not considered original, so it must be cited as borrowed ideas, images, or wording. Content created or contributed by Gen-AI tools must be attributed or cited appropriately, e.g., (OpenAI, 2024).

Students are responsible for verifying the accuracy of content developed from research or writing tools, including Gen-AI. When requested, students must reveal how and to what extent Gen-AI tools were used.

If Gen-AI creates the new ideas of your work and the actual text (with minimal changes from you), then this is a form of plagiarism and thus violate academic integrity policy.

ACCOMMODATIONS

Disability Accommodations: To obtain disability-related academic adjustments and/or auxiliary aids, students with disabilities must contact the course instructor and the Disability Resources and Educational Services (DRES) as soon as possible. To contact DRES you may visit 1207 S. Oak St., Champaign, call (217) 333-1970, or e-mail a message to disability@uiuc.edu.

REMARKS

- Being prepared for each class will help you enhance your learning outcome. Reading the assigned readings before each class will assist you better understanding of the lecture and add to the quality of class discussion. Keep up with the course material is the best strategy for you to do well in exams.
- Any course-related questions and inquiries are very welcome and encouraged. If you have a question, DO ask, because other students may have similar questions. You are welcome to talk to me before or after the class, or stop by during my office hour, or send me an email. If you ask a question by email, please add “**ECON 448**” or “**448**” at the beginning of your email titles in order to receive timely response. Depending on your question, I may address it in class or send an email to the whole class to ensure everyone is on the same page.
- Do not wait until the day of the exam to ask questions about test materials. If you have a specific question or need general assistance, make sure that you discuss it with me (in person or via email) the day before the scheduled exam at the very latest. On the day of exam, I will not hold appointment or respond to emails about exam.
- You are welcome to keep me informed and provide feedback or comments about the course at any time throughout the semester.

COURSE SCHEDULE (ECON 448, Fall 2025)

* This should serve as a guide for planning your readings, assignments, and exam preparation. Aspects of the course schedule are subject to change, if and when necessary.

	Tuesday	Thursday
Week 1 (08/26, 08/28)	Course Introduction	Introduction to Compensation
Week 2 (09/02, 09/04)	Theories of Compensation	Strategy
Week 3 (09/09, 09/11)	Internal Alignment	Job Analysis
Week 4 (09/16, 09/18)	Job Evaluation	External Competitiveness
Week 5 (09/23, 09/25)	Pay Levels and Pay Structures	Pay Levels and Pay Structures
Week 6 (09/30, 10/02)	Pay Levels and Pay Structures	Wage Determination
Week 7 (10/07, 10/09)	Wage Determination	Wage Determination
Week 8 (10/14, 10/16)	Incentive Systems and Variable Pay	Midterm
Week 9 (10/21, 10/23)	Incentive Systems and Variable Pay	Incentive Systems and Variable Pay
Week 10 (10/28, 10/30)	Incentive Systems and Variable Pay	Equity Compensation
Week 11 (11/04, 11/06)	Equity Compensation	Equity Compensation
Week 12 (11/11, 11/13)	Employee Benefits	Employee Benefits
Week 13 (11/18, 11/20)	Employee Benefits	Employee Benefits
Week 14 (11/25, 11/27)	<i>NO CLASS (HAPPY FALL BREAK!)</i>	
Week 15 (12/02, 12/04)	Legal Issues in Compensation	Legal Issues in Compensation
Week 16 (12/09, 12/11)	Legal Issues in Compensation	Reading Day (No Class)