

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

**ECON 448 Employee Compensation and Incentives**

**Spring 2023**  
**Credit: 3 hours**

**Mon & Wed 12:30-1:50pm**  
**384 Armory Bldg**

---

<b>Instructor:</b>	Yuanyuan Sun
<b>Office:</b>	21 DKH
<b>Contact:</b>	Email: <a href="mailto:syuan2@illinois.edu">syuan2@illinois.edu</a>
<b>Office Hours:</b>	Mon & Wed 2:00-3:00pm; or by appointment

## **COURSE DESCRIPTION**

Employee 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. 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 design a compensation plan and evaluate compensation practices. The lectures and various class activities including in-class exercises & discussions, as well as a compensation project 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. Jerry M. Newman, Barry Gerhart, George T. Milkovich (2023). *Compensation* (14<sup>th</sup> Edition). The textbook can be obtained from the campus book store, or from the publisher (McGraw Hill). Click [here](#) to view the book.

Note: The 13<sup>th</sup> Edition of the book can also be used. Click [here](#) to view the book.

2. Other required 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

1<sup>st</sup> midterm exam: February 27, in class.

2<sup>nd</sup> midterm exam: April 5, 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	15%
Exam 1	23%
Exam 2	23%
Final Exam	24%
<b>Total</b>	<b>100%</b>

*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%
Exam 1	20%
Exam 2	20%
Final Exam	20%
Term Paper	15%
<b>Total</b>	<b>100%</b>

*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 & Assignments:** 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 three 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.
- You may on occasion have questions about exam grading. Re-grading request must be submitted in writing within 7 calendar days after you receive your graded exam; re-grading request submitted after 7 calendar days will not be accepted. In the request for re-grading, you must specify the aspects that need further attention, and the reasons that justify re-grading, which should include the rationale behind your original answer, the differences between your original answer and the correct answer, and why you believe re-grading should be granted. I reserve the right to re-grade the entire assignment (not only the question in which you think there may be a mistake).

**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.

**Academic Integrity:** Any form of academic dishonesty is regarded as a serious offense and will not be tolerated. Please carefully review the University policy governing academic integrity and plagiarism: [http://studentcode.illinois.edu/article1\\_part4\\_1-401.html](http://studentcode.illinois.edu/article1_part4_1-401.html)

Violations of academic integrity as given in the Student Code will be taken very seriously. Anyone found cheating in the course (or helping others to cheat) will be penalized according to the Code. These penalties include, among others, a failing grade (F) for the course and suspension and/or expulsion from the University

**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.)”*

## 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](mailto: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, Spring 2023)

\* 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.

	Monday	Wednesday
Week 1 (01/18)		Course Introduction
Week 2 (01/23, 01/25)	CH 1: The Pay Model	CH 2: Strategy
Week 3 (01/30, 02/01)	CH 3: Internal Alignment	CH 4: Job Analysis
Week 4 (02/06, 02/08)	CH 4: Job Analysis	CH 5: Job Evaluation
Week 5 (02/13, 02/15)	CH 5: Job Evaluation	CH 6: Person-Based Structures
Week 6 (02/20, 02/22)	CH 6: Person-Based Structures	CH 7: Defining Competitiveness
Week 7 (02/27, 03/01)	<b>MIDTERM 1 (CH 1-6)</b>	CH 7: Defining Competitiveness
Week 8 (03/06, 03/08)	CH 8: Pay Levels and Pay Structures	CH 8: Pay Levels and Pay Structures
Week 9 (03/13, 03/15)	<i>NO CLASS (HAPPY SPRING BREAK!)</i>	
Week 10 (03/20, 03/22)	CH 8: Pay Levels and Pay Structures	CH 9: Pay-for-Performance Theories
Week 11 (03/27, 03/29)	CH 10: Pay-for-Performance Plans	CH 10: Pay-for-Performance Plans
Week 12 (04/03, 04/05)	CH 10: Pay-for-Performance Plans	<b>MIDTERM 2 (CH 7-10)</b>
Week 13 (04/10, 04/12)	CH 11: Performance Appraisals	CH 11: Performance Appraisals
Week 14 (04/17, 04/19)	CH 12: Benefit Determination	CH 12: Benefit Determination
Week 15 (04/24, 04/26)	CH 13: Benefit Options	CH 14: Government and Legal Issues
Week 16 (05/01, 05/03)	CH 14: Government and Legal Issues	CH 14: Government and Legal Issues