

PERSONNEL ECONOMICS
ECO 381H, Winter 2016

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This course examines the economics of human resource management practices inside organizations.

Prerequisites: ECO 200/204/206; ECO 220/227 (or STA equivalent)

Exclusion: ECO 370

Lecture Topics, Reading Assignments and Problem Sets

This **course outline** is available in the Syllabus file in Blackboard. The Course Materials file in Blackboard is divided into 3 sub-files: (i) Assignments; (ii) Readings; and (iii) Problem Sets. On a lecture-by-lecture basis, the **Assignments** subfile describes the assigned readings and problems sets. The readings (listed below) are available through the **Readings** subfile. Students are responsible for the material described in square brackets following each reading (some changes in the assigned readings may be made during the course as per the Assignments subfile). Students are responsible for **all** assigned readings; a subset of the assigned readings will be discussed in lectures. Questions based on each reading are also available through the **Problem Sets** subfile; a subset of these questions will reappear on the term test and the final examination. Only try the assigned questions. **Answers to problem sets are not publicly available**; the instructor will, however, review answers prepared by students during lecture breaks and office hours.

Among the readings, Lazear (1998) is short for E. Lazear (1998) *Personnel Economics for Managers* (Wiley).

0. Background

Varian, H. (1987), "Mathematical Appendix," Appendix in *Intermediate Microeconomics*, 4th Edition, Norton

Pindyck, R. & D. Rubinfeld (1995), "The Basics of Regression," Appendix in *Microeconomics*, 3rd Edition, Prentice Hall

1. Introduction

Bloom, N. and J. Van Reenen (2011), "Human Resource Management and Productivity," Chap. 19 in *Handbook of Labor Economics*, Vol. 4B, O. Ashenfelter and D. Card, Editors (Elsevier, Amsterdam). [1698-1712]

2. Hiring

- Lazear (1998), "Setting Hiring Standards," Chap. 2 [29-33, 36-43]
Lazear (1998), "Hiring the Right People," Chap. 3 [67-71]
Lazear (1998), "Learning a Worker's Productivity," Chap. 4 [91-94]
Brown, C. (1990), "Firms' Choice of Method of Pay," *Industrial and Labor Relations Review*, 43 (Feb Special Issue): 165S-182S. [all]

3. Training

- Barron, J, M. Berger and D. Black (1997), "On-the-Job Training as an Investment in Human Capital," Chapt. 1 in *On the Job Training* by J. Barron, M. Berger and D. Black (W.E. Upjohn Inst. for Employment Research, Kalamazoo). [all]
Bartel, A. (1995), "Training, Wage Growth and Job Performance," *Journal of Labor Economics* 13(3): 401-425. [all]
Garibaldi, P. (2006) "Training Investment in Imperfect Labour Markets," Chap. 10 in *Personnel Economics in Imperfect Labour Markets* (Oxford U Press, Oxford). [176-186]

4. Motivating Individuals I

- Milgrom, P. and J. Roberts (1992), "Risk Sharing and Incentive Contracts," Chap. 7 in *Economics, Organization and Management* (Prentice Hall). [206-227]
Holmstrom, B. (1999), "The Firm as a Subeconomy," *Journal of Law, Economics, and Organizations*, 15:74-102. [90-91]
Lazear (1998), "Promotions as Motivators," Chap. 9 [252-256, 243-251]
Prendergast, C. (1999), "The Provision of Incentives in Firms," *Journal of Economic Literature* 37:7-63. [Sections 2.5 and 3.1]

5. Motivating Individuals II

- Gibbons, R. and K. Murphy (1990) "Relative Performance Evaluation for Chief Executive Officers," *Industrial and Labor Relations Review*, 43: 30S-51S. [36S-39S]
Lazear, E. (2000), "Performance Pay and Productivity," *American Economic Review*, 90(5):1346-61. [1346-55]
Baker, G., Jensen, M. and K. Murphy (1988), "Compensation and Incentives: Practice versus Theory," *Journal of Finance* 43 (3): 593-616. [Sections 8.1 & 8.2]

6. Motivating Groups

- Kandel, E. & E. Lazear (1992), "Peer Pressure and Partnerships," *Journal of Political Economy* 100, 801-817 [801-809]
- Baker, G., Jensen, M. and K. Murphy (1988), "Compensation and Incentives: Practice versus Theory," *Journal of Finance* 43 (3): 593-616. [Sections 8.3]
- Hamilton, B., Nickerson, J and H. Owan (2003), "Team Incentives and Worker Heterogeneity: An Empirical Analysis of the Impact of Teams on Productivity and Participation," *Journal of Political Economy* 111, 465-497 [all]

7. Job Design and Performance Measures

- Milgrom, P. and J. Roberts (1992), "Risk Sharing and Incentive Contracts," Chap. 7 in *Economics, Organization and Management* (Prentice Hall). [228-231]
- Lecture Notes on Multitasking – Individual and Team Work
- Gibbons, R. (2004), "Agency Theory," mimeo [9-16]
- Prendergast, C. (1999), "The Provision of Incentives in Firms," *Journal of Economic Literature* 37:7-63. [Sections 2.2.1 and 2.2.3]

8. Synergies

- Roberts, J. (2004), "Key Concepts for Organization Design," Chap. 2 in *The Modern Firm: Organizational Design for Performance and Growth* (Oxford U Press). [all]
- Milgrom, P. & J. Roberts (1995), "Complementarities and fit: Strategy, structure and organizational change in manufacturing," *Journal of Accounting and Economics*, 19, 179-208 [191-206]
- Ichnioski, C., K. Shaw and G. Prenzushi (1997), "The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines," *American Economic Review* 87: 291-313. [all]

Rules of the Game: There will be one mid-term test after the first 4 lectures that counts for 35% of the final course grade. The mid-term test will be held during class on February 10th. The final exam counts for 55% of the final course grade and will cover the material after the break. Problem sets: N problems will be assigned during the course (at this time, I'm not sure what value N will take). If you submit answers to M of these problems, your final grade will be increased by M/N times 10% (submitted problems will **not** be marked).

Students who miss the term test will be assigned a mark of zero for that test unless, **prior to the next class**, they contact the instructor and explain the reason for missing the test; appropriate documentation (a medical certificate or college registrar's note) must subsequently be submitted. Students with a valid reason for missing the test will arrange to write a make-up test prior to the next class.