

ECO 381S (2017): PERSONNEL ECONOMICS

Instructor: Prof. Arthur J. Hosios
150 St. George St., Rm 178
Lectures: Wednesday 10-12, SS1085
Problem solving classes: Friday 2:30-3:30, SS1085
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This course examines the economics of human resource management and compensation practices.

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, problem solving classes 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

Wooldridge, J. (2009), Brief excerpts on Logit, Probit and Tobit models, pp. 575-77 and 587-89 in *Introductory Econometrics: A Modern Approach*, 4th Ed., Southern-Western.

1. Introduction

- Osterman, P. (1994), "How Common is Workforce Transformation and Who Adopts It?" *Industrial and Labor Relations Review* 47 (2): 173-188.
- 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). [1698-1707]

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]
- Garibaldi, P. (2006) "Training Investment in Imperfect Labour Markets," Chap. 10 in *Personnel Economics in Imperfect Labour Markets* (Oxford U Press, Oxford). [176-186]
- Bartel, A. (1995), "Training, Wage Growth and Job Performance," *Journal of Labor Economics* 13(3): 401-425. [all]
- Lynch, L. and S. Black (1998), "Beyond the Incidence of Employer-Provided Training," *Industrial and Labor Relations Review* 52 (1): 64-81. [all]

4. Pay For Performance

- 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]
- 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]
- Bertrand, M. & S. Mullainathan (2000), "Agents With and Without Principals," *American Economic Review, Papers and Proc.* 90(2):203-208. [203-204, Section IV]

5. Promotions

- Lazear (1998), "Promotions as Motivators," Chap. 9 [252-256, 243-251]
DeVaro, J. (2006), "Internal Promotion Competitions in Firms," *RAND Journal of Economics* 37(3): 521-542.
Gibbs, M. (1995), "Incentive Compensation in a Corporate Hierarchy," *Journal of Accounting & Economics* 19: 247-277.

6. Teams

- Kandel, E. & E. Lazear (1992), "Peer Pressure and Partnerships," *Journal of Political Economy* 100, 801-817 [801-809]
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]
Mas, A. and E. Moretti (2009), "Peers at Work," *American Economic Review* 99(1): 112-145. [excluding Section IV-D]

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. HRM Synergies

- Roberts, J. (2004), "Key Concepts for Organization Design," Chap. 2 in *The Modern Firm: Organizational Design for Performance and Growth* (Oxford U Press). [34-51]
Milgrom, P. & J. Roberts (1995), "Complementarities and fit: Strategy, structure and organizational change in manufacturing," *Journal of Accounting and Economics*, 19, 179-208 [196-205]
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. [291-305]
Bresnahan, T, E. Brynjolfsson and L. Hitt (2002), "Information Technology, Workplace Organization, and the Demand for Skilled Labor: Firm-level Evidence," *Quarterly Journal of Economics*, 117 (1): 339-376. [all]

Rules of the Game: There will be one 2-hour mid-term test after the first 5 lectures that counts for 35% of the final course grade. The mid-term test will be held during class on February 15th. The 3-hour 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).

Office hours and problem solving classes will not start until the week of January 16th.

There will be a review class before the mid-term test on Feb. 14th 6-8pm, Room 106, Department of Economics, 150 St. George Street. There will also be a review class before the final exam (date currently unknown).

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.