UG Course Outline
EC2215: Personnel Economics
2016/17

Spring:
Instructor: Andrew Seltzer
Office: Horton 302
Phone: +44 (0) 1784 443475
E-mail: a.seltzer@rhul.ac.uk
Office hours: TBA

Course Overview
This is a half-year course examining contracts between firms and their workers. It will focus on
hiring, training, pay, job assignments, promotion, quits and dismissals, and pensions. The course
will use economic theory to outline the nature of labour contracts, and use statistical analysis to
examine the empirical relevance of different types of contracts.

Aims
This course will build upon microeconomics and statistics introduced in Year 1 in order to develop an
understanding of some of the principle issues in personnel economics, while providing opportunities
to practice and develop a range of key skills.

Learning Outcomes
Upon completion of the course students should:

- Understand the basic theoretical models of personnel economics and how these can be
  applied to policy issues;
- Understand the underlying empirical approaches used to evaluate these models and be
  familiar with the empirical work conducted to test their predictions;
- Be able to manipulate these models, and be able to analytically solve problems relating to
  labour contracts;
- Be able to apply the models to important policy areas whilst being aware of the limitations
  of the theory;
- Have an overview of the main areas in personnel economics and be able to read journal
  articles and understand the main issues presented.

In addition students should:
1. Have further developed their skills in written and verbal communication and numeracy.
2. Have further developed their skills in problem solving, planning and organising, initiative
   and adaptability.

Course Delivery
The course will be delivered through a one-hour lecture and a one-hour seminar each week. Specific
learning outcomes and readings are provided for each week. Seminars will be used both to present
new material and to solve problems. I will be available for consultations during the advertised office
hours or by appointment.
Assessment

The final mark is composed of

- Group Presentation 10% (presentation 5% + written report 5%)
- Midterm Exam 15%
- Final Exam 75%

A two-hour unseen exam for this course will be given during the summer term and will count for 75 per cent of the overall mark. The exam will test your knowledge and understanding of the material covered in the course. You will be required to demonstrate an understanding of important issues in personnel economics and the techniques used to analyse these issues.

In addition to the final exam, 25 per cent of your overall mark will be determined by continuous assessment. A one hour mid-term test will count for 15 per cent of the overall mark. The date for the mid-term test is listed in the student handbook. The mid-term will be held during the lecture slot.

Both midterm and final exams will be closed book, closed notes exams. They will cover the material presented in lectures and seminars and will test your knowledge of relevant concepts and issues; the depth of your understanding and extent of critical evaluation, including evidence of wider reading; your ability to manipulate, compare, and logically explain diagrammatic and mathematical versions of the models; your ability to critically appraise models and their applications; structure and clarity of presentation.

The remaining 10 per cent of your overall mark will come from a presentation of one article from the required reading. Depending on the number of students in the class, the readings will be presented by groups of between 1 and 4 students. The presentation should be no longer than 15-20 minutes and will count for 5 per cent of the mark. Note: You cannot choose which article to present. If there are any dates when you have legitimate prior conflicts, please let me know in advance. There is some flexibility in the seminar schedule and I will try to accommodate any legitimate scheduling conflicts.

Within one week after your presentation, a short written report (1-2 pages) based on the article is due. The report counts for a further 5 per cent of the mark. 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. Your report should be submitted through Turnitin anti-plagiarism software via the designated link on the Moodle course webpage.

Reading

Private study of the reading material is an integral part of the course. The textbook for this course is:

Gibbs and Lazear, Personnel Economics in Practice.

In addition to the textbook, you will be required to read several journal articles, which are given to you each week for the seminars. I would recommend that you read the articles in advance of the seminars in order to get the most out of the seminars. These articles will tend to be somewhat technical, and although you may not fully understand the techniques, it is important to understand the main issues being addressed by these articles. These articles are available online at UK – JSTOR, which is accessible on campus:
(http://uk.jstor.org/cgi-bin/jstor/listjournal?frame=noFrame#Economics).
You can only access JSTOR on campus or via remote login, unless you have subscribed personally.
Make sure that you download all articles well in advance of the seminars! The seminar worksheets are
designed to help you understand the main points of the articles.

**Detailed Reading**

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<tr>
<th>Topic</th>
<th>Reading</th>
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<tr>
<td><strong>Topic 2: Hiring</strong></td>
<td>Reading: GL chapters 1-2</td>
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<tr>
<td><strong>Topic 3: Training and Turnover</strong></td>
<td>Reading GL: chapters 3-4</td>
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<td>Topic 8: Promotion Tournaments</td>
<td>GL Chapter 11</td>
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(Tentative) Schedule

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<th>Week</th>
<th>Schedule</th>
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| Week 1 – Week beginning 09/01 | Lecture: The Principle-agent problem  
Seminar: No Seminar |
| Week 2 – Week beginning 16/01 | Lecture: The Principle-agent problem, Hiring  
Seminar: GL chapters 1-2 |
| Week 3 – Week beginning 23/01 | Lecture: Hiring, Training and turnover  
Seminar: GL: chapters 3-4 |
| Week 4 – Week beginning 31/02 | Lecture: Performance evaluation and Rewarding performance  
Seminar: GL: chapters 9 and 10  
Medoff and Abraham. "Experience, performance, and earnings." |
| Week 5 – Week beginning 06/02 | Lecture: Efficiency wages  
Seminar:  
*Bandiera, Barankay, and Rasul, "Social Connections and Incentives in the Workplace"  
*Lazear, "Performance Pay and Productivity“ |
| Week 6 – Week beginning 13/02 | Lecture: Reading Week, no Lecture  
Seminar: Reading Week, no Seminar |
| Week 7 – Week beginning 20/02 | Lecture: Deferred Compensation  
Seminar: Yellen, Janet L. "Efficiency wage models of unemployment."  
*Raff and Summers, “Did Henry Ford Pay Efficiency Wages?” |
| Week 8 – Week beginning 27/02 | Lecture: Test, covers all material through efficiency wages  
Seminar: Carmichael, Why is there tenure?  
McPherson and Schapiro, Tenure Issues in Higher Education |
| Week 9 – Week beginning 06/03 | Lecture: Tenure  
Seminar:  
*Seltzer and Merrett, “Personnel Practices at the Union Bank of Australia”  
| Week 10 – Week beginning 13/03 | Lecture: promotion tournaments |
| Seminar: GL Chapter 11                                                                 |  |
|---------------------------------------------------------------------------------------|  |
| *Baker, Gibbs, and Holmstrom, "The Internal Economics of the Firm"                     |  |
|  |
| **Week 11 – Week beginning 20/03**                                                    |  |
| **Lecture: Behavioural aspects of labour markets**                                     |  |
| **Seminar:**                                                                           |  |
| Ariely, Kamenica, and Prelec. "Man's search for meaning"                              |  |
| *Gneezy and Rustichini. "Pay enough or don't pay at all."                             |  |
| *Camerer, Babcock, Lowenstein, and Thaler, "Labor supply of New York City Cabdrivers"  |  |