



General Course Information

Instructor: C. Bram Cadsby
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Office Location MacKinnon 735
Office Hours Mondays 10:30-12:00 and Fridays 2:00-3:30
Department/School Department of Economics and Finance

TA's Pei Liu
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Office Location TBA
Office Hours TBA

Class Schedule: Monday, Wednesday, Friday 12:30-1:20pm

Pre-requisites: ECON*2310 or ECON*2200

Course Description

In this course, we examine the management of personnel in organizations. Using concepts from mainstream microeconomics and behavioral/experimental economics, we will consider such issues as recruitment, promotion, financial and non-financial incentives, compensation, job performance, performance evaluation, and investment in personnel. The interplay between theoretical models and empirical evidence will be emphasized in considering different approaches to the management of personnel.

Course Assessment

			Due Date
Assessment 1:	20%	Written Assignment	Oct. 24 th
Assessment 2:	40%	Best two of three in-class quizzes	Oct. 10, Nov. 7, and Nov. 21
Assessment 3:	40%	Final Examination	Dec. 12, 7-9pm
Total	100%		

Indicative Content

Students will be given guidance about reading assignments for each week on Courselink news. In many cases, you will be asked to focus on certain parts of an article rather than to read it in its entirety. Therefore, it is vital that you check Courselink news frequently.

Part 1: Sorting and Investing in Employees

Setting Hiring Standards, Recruitment

Chapter 1, Lazear and Gibbs

Autor (2001) "Wiring the Labor Market." *Journal of Economic Perspectives* 15(1): 25–40.

Investment in Skills

Chapter 2, Lazear and Gibbs.

Blundell, Dearden, Meghir, Sianesi (1999) "Human Capital Investment: The Returns from Education and Training to the Individual, the Firm and the Economy." *Fiscal Studies* 20(1): 1–23.

Managing job turnover. Promotion and Pay over the Lifecycle

Chapter 3, Lazear and Gibbs.

Part 2: Paying for Performance

Performance Evaluation

Chapter 9, Lazear and Gibbs.

Lazear (1998) "Personnel Economics, Past Lessons and Future Directions." NBER Working paper No. 6957.

Rewarding performance

Chapter 10, Lazear and Gibbs

Bandiera, Barankay and Rasul (2006) "The Evolution of Cooperative Norms: Evidence from a Natural Field Experiment" *B.E. Journal of Economic Analysis & Policy: Advances* 6(2): Article 4.

Career-based Incentives

Chapters 11 and 12, Lazear and Gibbs.

Piketty Thomas and Emmanuel Saez (2006) "The Evolution of Top Incomes: A Historical and International Perspective." *American Economic Review: Papers and Proceedings*, 96(2): 200–205.

Niederle and Vesterlund (2007) "Do women shy away from competition? Do men compete too much?" *Quarterly Journal of Economics*, 122: 1067-1101.

Cadsby, Servátka and Song (2013) "How Competitive are Female Professionals? A Tale of Identity Conflict," *Journal of Economic Behavior and Organization* 92(2): 284–303.

Part 3: Experimental Evidence on Incentives in the Workplace

Productivity and Pay-for-Performance

Lazear, E. P. (1999). "Performance pay and productivity." *American Economic Review* 90: 1346–1361.

Cadsby, Song and Tapon (2007) "Sorting and Incentive Effects of Pay-for-Performance: An Experimental Investigation." *Academy of Management Journal* 50(2): 387–405.

Frey (2012) "Crowding effects on intrinsic motivation." *Renewal : a Journal of Labour Politics* 20(2/3): 91–98.

Shearer (2004) "Piece Rates, Fixed Wages and Incentives: Evidence from a Field Experiment." *Review of Economic Studies* 71(2): 513–534.

Hossain and List (2012) "The Behavioralist Visits the Factory: Increasing Productivity using Simple Framing Manipulations." *Management Science*: 2151–2167.

Gneezy and Rustichini (2000) "Pay Enough or Don't Pay At All." *Quarterly Journal of Economics*: 791–810.

Ariely, Gneezy, Loewenstein and Mazar (2009) "Large stakes and big mistakes." *Review of Economic Studies* 76(2): 451–469.

Rank, Social Comparison, Recognition and Peer Pressure

Tran, A., and R. Zeckhauser. (2012) "Rank as an inherent incentive: Evidence from a field experiment." *Journal of Public Economics* 96: 645–650.

Azmat, G. and N. Iriberry (2010) "The importance of relative performance feedback information: Evidence from a natural Experiment using high school students." *Journal of Public Economics* 94: 435–452.

Cadsby, Engle-Warnick, Fang, and Song (2010) "Psychological Incentives, Financial Incentives, and Risk Attitudes in Tournaments: An Artefactual Field Experiment." University of Guelph Discussion Paper 2014-03.

Cohn, Fehr, Herrmann and Schneider (2014) "Social Comparison and Effort Provision: Evidence from a Field Experiment." *Journal of the European Economic Association* 12: 877–898.

Kosfeld and Neckermann (2011) "Getting More Work for Nothing? Symbolic Awards and Worker Performance." *American Economic Journal: Microeconomics* 3: 1–16.

Kosfeld, Neckermann, and Yang (2014) "Knowing that You Matter, Matters! The Interplay of Meaning, Monetary Incentives, and Worker Recognition." Unpublished manuscript.

Cheating, Goals, and Pay-for-Performance

Schweitzer, Ordóñez, and Douma (2004). "Goal-setting as a Motivator of Unethical Behavior." *Academy of Management Journal*, 47(3): 422–433.

Cadsby, Song and Tapon (2010) "Are you Paying your Employees to Cheat? An Experimental Investigation." *B.E. Journal of Economic Analysis and Policy: Contributions* 10, 1: Article 35.

Charness, Masclet, and Villeval (2014) "The Dark Side of Competition for Status." *Management Science*, 60(1): 38–55.

Course Resources

Required Texts:

Reading for the course includes seven chapters from the textbook "Personnel Economics in Practice" by Edward Lazear and Michael Gibb (2nd ed.), supplemented by other important and topical articles. The textbook is available for purchase in the University Bookstore. You may purchase either the hard copy or ebook version. Other readings will be available through Courselink.

Course Policies

Grading Policies

<https://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-grds-proc.shtml>

University Policies

Academic Consideration

When you find yourself unable to meet an in-course requirement because of illness or compassionate reasons, please advise the course instructor in writing, with your name, id#, and e-mail contact. See the academic calendar for information on regulations and procedures for

Academic Consideration: <http://www.uoguelph.ca/registrar/calendars/undergraduate/current/c08/c08-ac.shtml>

Academic Misconduct

The University of Guelph is committed to upholding the highest standards of academic integrity and it is the responsibility of all members of the University community, faculty, staff, and students to be aware of what constitutes academic misconduct and to do as much as possible to prevent academic offences from occurring.

University of Guelph students have the responsibility of abiding by the University's policy on academic misconduct regardless of their location of study; faculty, staff and students have the responsibility of supporting an environment that discourages misconduct. Students need to remain aware that instructors have access to and the right to use electronic and other means of detection. Please note: Whether or not a student intended to commit academic misconduct is not relevant for a finding of guilt. Hurried or careless submission of assignments does not excuse students from responsibility for verifying the academic integrity of their work before submitting it. Students who are in any doubt as to whether an action on their part could be construed as an academic offence should consult with a faculty member or faculty advisor.

The Academic Misconduct Policy is detailed in the Undergraduate Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Accessibility

The University of Guelph is committed to creating a barrier-free environment. Providing services for students is a shared responsibility among students, faculty and administrators. This relationship is based on respect of individual rights, the dignity of the individual and the University community's shared commitment to an open and supportive learning environment. Students requiring service or accommodation, whether due to an identified, ongoing disability or a short-term disability should contact the Centre for Students with Disabilities as soon as possible.

For more information, contact CSD at 519-824-4120 ext. 56208 or email csd@uoguelph.ca or see the website: <http://www.uoguelph.ca/csd/>

Course Evaluation Information

Please refer to the <https://www.uoguelph.ca/economics/course-evaluation>

Drop date

The last date to drop one-semester courses, without academic penalty, is October 31st, 2014. For regulations and procedures for Dropping Courses, see the Academic Calendar:

<https://www.uoguelph.ca/registrar/calendars/undergraduate/2014-2015/>

Course Learning Outcomes

In keeping with the University's Learning Outcomes, the Department of Economics and Finance *Learning Outcomes* (*skills* and *knowledge* competencies) for this course are:

Skills:

- 1) **Written Communication:** There is one writing assignment that will be graded with the usual essay writing criteria with emphasis on organization and clarity. There will also be short-answer questions on the quizzes and final examination that will require writing skills.
- 2) **Numerical Problem Solving:** Short answer problems on the three quizzes and final examination will test basic computation skills.
- 3) **Analytical Problem Solving:** The course will use verbal, geometric and algebraic methods to solve analytical problems.
- 4) **Problem Solving in a Real World Context:** Students will **apply** the content of the course to current questions in personnel management on their assignments, quizzes and examination. Grading will reward normative arguments with theoretical substantiation.
- 5) **Professional and Ethical Awareness and Conduct:** Students will be instructed on correct academic conduct in the context of their written assignment. One of the topics of the course concerns cheating and misrepresentation in the context of different compensation systems.

Knowledge:

- 1) **Microeconomic Modeling:** As an introductory course in the economics of personnel management, the student must learn to apply standard microeconomic analysis to labour supply and strategic personnel questions. Principal-agent problems will be discussed.
- 2) **Understanding of Specific Markets:** Both the internal labour market of the firm and its relation to the aggregate labour market are **analyzed** in this microeconomics course.
- 3) **Historical and Global context:** The course will examine the evolution of salaries over time in different parts of the world. It will also examine the impact of technological development on hiring practices and job-search behavior.
- 4) **Economic Policy and Regulation:** The role of government is significant in the labour market, perhaps more so than in any other market. Students must **understand** how changes in regulations regarding personnel influence the incentives and constraints of both managers and workers.