

# Personnel Economics (7,5 ECTS)

Course period: January - March 2020

## General information

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Contact hours: send an email to make an appointment.

The course consists of 7.5 ECTS and is designed for students of the PAO Master at Stockholm University.

## Course description

Personnel economics applies economic tools to topics from human resource management. This course introduces a wide range of topics relevant to HR managers, such as recruiting and hiring, training investments, or payment schemes. Underlying economic theories as well as empirical evidence will be discussed in the course. The course is based on selected chapters of the textbook of Lazear and Gibbs (2014), and will be complemented by additional literature.

The course is at an intermediate level in economics. There are no prerequisites, although basic knowledge of economics and statistics is useful. The course is held in English.

## Learning objectives

After successful completion of the course, the student should:

- Understand how economic theory can be used to analyze questions from human resource management, such as recruiting and hiring, training investments, and payment schemes.
- Understand how human resource practices can be analyzed empirically.
- Be able to apply theoretical and empirical findings to real-life cases.
- Understand and explain how labor market regulation (e.g. collective agreements) can be incorporated in the personnel economics approach.
- be able to read and critically review research papers using a personnel economics approach.

## Teaching

The course consists of lectures, seminars, and cases. Each topic will be first presented in a lecture, for which students should prepare by reading the relevant literature. In seminars, students will discuss assignments and research papers to deepen the content from the lectures. In the beginning of the course, students will be assigned to groups, each of which will be assigned to a unique case. Over the course period, each group will work on their case, have a mid-term presentation to get feedback from other students, and a final presentation to present their final results. With the final presentation, each group also has to deliver a case report summarizing their findings.

## Examination and grades

Students will receive five grades from which the final grade is calculated.

1. Take-home exam: in the last week of the course, students will write a take-home exam. The grade for the exam is counted as two grades.
2. Cases: all students have to be present during the mid-term presentation and the final presentation. In addition, the final results need to be summarized in a case report, in which the group describes their findings in detail and which includes references (5 pages at most). The grade for the presentations is counted as two grades.
3. Seminar participation: students are required to actively participate in discussing the assignments and the papers in at least 3 out of the 5 seminars. For participation in the seminars, students will receive one grade.

Each of the components will be graded as Fail (F), Pass (P) or Pass with Distinction (PD):

- F: The student did not master the course content and is not able to show how personnel economics can be used to address questions related to human resource management.
- P: The student is able to explain how economics can be used to address questions related to human resource management, such as recruiting and hiring, training investments, and payment schemes.
- PD: The student developed a thorough understanding of personnel economics and its implications for human resource management, and is able to critically discuss how labor market regulation would affect these implications as well as how human resource policies can be evaluated.

The final course grade will be calculated in the following way:

A = Excellent (at least 4 x PD)  
B = Very good (3 x PD and 2 x P)  
C = Good (2 x PD and 3 x P)  
D = Satisfactory (1 x PD and 4 x P)  
E = Sufficient (5 x P)  
Fx = Insufficient (1 x F)  
F = Fail (2 or more x F)

Students who receive the grade Fx or F will be further tested as long as the course is given in order to obtain the grade E, or higher. Once a student receives a grade E or higher, it is not possible to do the examination (or parts of it) again to improve the grade. If students fail the exam, there will be one re-take exam towards the end of the academic year.

## Course schedule

Course week	Session type	Channel type	Topics and literature (see next page for more detailed literature list)
<b>Introduction and basics of regression analysis</b>			
1	Lecture 1	Zoom (Live)	<i>Introduction</i> Literature: LG (Preface); Backes-Gellner (2004); Lazear and Shaw (2007); Grund et al. (2017)
1	Lecture 2	Athena (Pre-recorded)	<i>Data, regression analysis and experiments in firms</i> Literature: Angrist and Pischke (2008, Ch. 2); Levitt and List (2011); Smith (2018)
2	Seminar 1	Zoom (Live)	<i>Interpreting estimation results</i> Literature: Bloom et al. (2013)
<b>Hiring</b>			
2	Lecture 3	Athena (Pre-recorded)	<i>Interpreting estimation results</i> Literature: Bloom et al. (2013)
2	Lecture 4	Athena (Pre-recorded)	<i>Screening, signalling, and hiring discrimination</i> Literature: LG (Ch. 2); Oyer and Schaefer (2011, Ch. 3)
3	Seminar 2	Zoom (Live)	<i>Hiring discrimination</i> Literature: Bertrand and Mullainathan (2004); Goldin and Rouse (2000)
<b>Improving workers' performance and wage setting</b>			
3-4	Lecture 5	Athena (Pre-recorded)	<i>Performance evaluation and measurement</i> Literature: LG (Ch. 9); Sauermann (2016)
3-4	Lecture 6	Athena (Pre-recorded)	<i>Monetary incentives</i> Literature: LG (Ch. 10); Oyer and Schaefer (2011, Ch. 2)
3-4	Lecture 7	Athena (Pre-recorded)	<i>Tournaments and seniority-based pay</i> Literature: LG (Ch. 11); Sheremeta (2016)
4	Q&A session	Zoom (Live)	Discussing questions students have sent
5	Seminar 3	Zoom (Live)	<i>Incentivizing workers</i> Literature: Lazear (2000), Gneezy and Rustichini (2000)
5	Lecture 8	Athena (Pre-recorded)	<i>Investments in skills: formal and informal learning</i> Literature: LG (Ch. 3); De Grip (2015)
6	Cases I	Zoom (Live)	Mid-term presentations of cases
7	Seminar 4	Zoom (Live)	<i>Learning and skills</i> Literature: De Grip and Sauermann (2012); Breuer and Kampkötter (2013)
7	Lecture 9	Athena (Pre-recorded)	<i>Gender differences</i> Literature: Firpo (2017), Kato and Kodama (2017)
8	Seminar 5	Zoom (Live)	<i>Gender differences</i> Literature: Sarsons (2017); Babcock et al. (2017)
<b>Turnover and displacement</b>			
8	Lecture 10	Athena (Pre-recorded)	<i>Retention and displacement</i> Literature: LG (Ch. 4)
9	Cases II	Zoom (Live)	Final presentation of cases (DL for reports the week before)
9	Q&A session	Zoom (Live)	Discussing questions students have sent
10	Exam	Exia	Take home exam

## Course literature

The course is based on selected chapters of the book by Lazear and Gibbs (2014). The chapters will be complemented by selected journal articles which will be made available through Athena.

LG: Lazear, E., and M. Gibbs (2014): *Personnel Economics in Practice*, 3rd Edition, Wiley (ISBN: 978-1-18-20672-0).

### Additional literature used in the course:

Joshua Angrist and Jörn-Steffen Pischke: "Mostly Harmless Econometrics", Princeton University Press, 1<sup>st</sup> edition, 2008.

Babcock, Linda, Maria P. Recalde, Lise Vesterlund, and Laurie Weingart. 2017. "Gender Differences in Accepting and Receiving Requests for Tasks with Low Promotability." *American Economic Review*, 107 (3): 714-47.

Backes-Gellner, U. (2004), *Personnel Economics: An Economic Approach to Human Resource Management*, management revue, Rainer Hampp Verlag, vol. 15(2), pages 215-227.

Bertrand, M., and Mullainathan, S. (2004). Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination. *The American Economic Review*, 94(4), 991-1013

N. Bloom, Benn Eifert, David McKenzie, Aprajit Mahajan and John Roberts (2013) "Does management matter: evidence from India," *Quarterly Journal of Economics*.

Breuer, K. and Kampkoetter, P. (2013), Determinants and effects of intra-firm trainings: evidence from a large German company, *J Bus Econ* (2013) 83: 145.

De Grip, A. (2015), The importance of informal learning at work. *IZA World of Labor* 2015: 162 doi: 10.15185/izawol.162

De Grip, A. and Sauermann, J. (2012), The Effects of Training on Own and Coworker Productivity: Evidence from a Field Experiment. *The Economic Journal*, 122: 376-399.

Grund, C., A. Bryson, R. Dur, C. Harbring, A. Koch, and E. Lazear (2017), Personnel economics: A research field comes of age, *German Journal of Human Resource Management*, 31(2),101-107.

Firpo, S. Identifying and measuring economic discrimination. *IZA World of Labor* 2017: 347 doi: 10.15185/izawol.347

Goldin, Claudia, and Cecilia Rouse. 2000. "Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians." *American Economic Review*, 90 (4): 715-741.

Gneezy, U. and A. Rustichini, "Pay Enough or Don't Pay at All" *Quarterly Journal of Economics* 115(3) (August 2000): 791-810.

Takao Kato, Naomi Kodama (2017), *Women in the Workplace and Management Practices: Theory and Evidence*, IZA DP No. 10788.

Lazear, E. (2000). Performance Pay and Productivity. *The American Economic Review*, 90(5), 1346-1361.

Lazear, E., and K. Shaw (2007), Personnel Economics: The Economist's View of Human Resources, *Journal of Economic Perspectives*, 21(4), 91-114.

Levitt and List (2011) "Was There Really a Hawthorne Effect at the Hawthorne Plant? An Analysis of the Original Illumination Experiments," *American Economic Journal: Applied Economics*, Vol. 3(1), pp. 224-38.

Oyer, P., and S. Schaefer (2011), Personnel Economics: Hiring and Incentives, In: D. Card and O. Ashenfelter (eds.), *Handbook of Labor Economics*, Volume 4, Part B (Chapter 20), Elsevier, 1769-1823.

Sarsons H. Recognition for Group Work: Gender Differences in Academia. *American Economic Review: Papers and Proceedings*. 2017;107 (5) :141-145.

Sauermann, J. (2016), Performance measures and worker productivity. *IZA World of Labor* 2016: 260 doi: 10.15185/izawol.260.

Sheremeta, R. The pros and cons of workplace tournaments. *IZA World of Labor* 2016: 302 doi: 10.15185/izawol.302.

Smith, J. The usefulness of experiments. *IZA World of Labor* 2018: 436 doi: 10.15185/izawol.436.