

Master-Module Personnel Economics (5 ECTS)

for Master of Science in Economics (elective compulsory subject)
for Master Arbeitsmarkt und Personal (Wahlbereich)
for Master Sozialökonomik (freier Vertiefungsbereich or Spezielle VWL)
for Master in Wirtschaftspädagogik-Studienrichtung I (Wahlfach)

Registration / Anmeldung:

Please email felicitas.koetzsch@fau.de **by 06.02.2022** with your name, matriculation number, master program, and your three preferred papers (e.g. 2a / 4b / 12b). The order of emails coming in determines priority in paper assignment. Papers can be assigned to groups of up to three students. If you know your group already, please register jointly, let us know your preferred papers and all group members' email addresses.

First meeting and paper assignment:

Thursday, 10.02.2022 at 6pm, virtually via Zoom:

<https://fau.zoom.us/j/62533174504?pwd=cjNURTIzN0czZGoyZFdpWllyK3Badz09>

Meeting-ID: 625 3317 4504 Kenncode: 469480

Class meetings: Wednesdays 8:00-9:30, starting 27.04.2022, in-person, room: LG 0.142
Office hours: After class or by appointment e.g. via email.

Attendance is compulsory: If more than 2 classes are missed, no ECTS will be granted.

Overview

The course covers central issues of personnel economics, such as hiring, designing contracts, picking payment systems, motivation, human capital and training investments, team work and group incentives. We discuss recent or classic contributions to personnel economics research.

Every meeting has one topic with two papers. First, the instructor gives a brief introduction. Then, we have two seminar presentations with a discussion after each one.

Content

- A Hiring and contract design
- B Human capital and firm training
- C Payment and incentives
- D Motivation
- E Organisation and Job Design

Prerequisites: Solid knowledge of econometrics and microeconomics.

Exams and ECTS

There are two types of performance examinations. The papers can be submitted in German or English language, the presentation must be in English.

(1) Written term paper (9-10 pages) and presentation (20 minutes) in groups of up to 3 students (weight: 60 %). Topics for the term paper and presentation are assigned in the first meeting, based on preferences and order of registration. In your term paper and presentation you present the assigned research paper, critically discuss it and position it in the literature. Term papers (one printed copy and a pdf file) are due on 15.08.2022 midnight. Please email the file of the term paper to erwin.winkler@fau.de.

(2) 3 individually prepared one-page thesis papers (weight: 40%). They are due at 8.00 am the day prior to the day the paper will be discussed in class, to be submitted by email to erwin.winkler@fau.de. Papers that do not adhere to formatting rules are not graded (details below). Please label the files using your last name and the number of the paper, e.g., Meier_1a.pdf.

Background reading

Please find the seminar papers via StudOn. These books provide background information (abbreviations used below):

- Backes-Gellner, Uschi, Edward P. Lazear and Birgitta Wolff, B., 2001, *Personalökonomie: Fortgeschrittene Anwendungen für das Management*, Schäffer Poeschel Verlag, Stuttgart (BLW)
- Baron, J.N. and D.M. Kreps, 1999, *Strategic Human Resources. Frameworks for General Managers*, John Wiley & Sons, Hoboken NJ (BK)
- Bloom, N. and J. Van Reenen, 2011, Human Resource Management and Productivity, Chapter 19 in: Ashenfelter, O. and D. Card, *Handbook of Labor Economics* Vol. 4B, Elsevier, San Diego and Amsterdam, 1697-1768 (BV)
- Boeri, T. and J. van Ours, 2008, *The Economics of Imperfect Labor Markets*, Princeton University Press (BvO)
- Cahuc, P. and A. Zylberberg, 2004, *Labor Economics*, MIT Press (CZ)
- Garibaldi, Pietro, 2006, *Personnel Economics in Imperfect Labour Markets*, Oxford University Press, Oxford (Ga)
- Kuhn, Peter, 2018, *Personnel Economics*, Oxford Univ. Press, New York (Ku)
- Lazear, Edward P., 1995, *Personnel Economics*, MIT Press, Cambridge MA (L95)
- Lazear, Edward P., 1998, *Personnel Economics for Managers*, John Wiley & Sons, New York et al. (L98)
- Lazear, Edward P. and Michael Gibbs, 2009, *Personnel Economics in Practice*, 2nd edition, John Wiley & Sons, Hoboken NJ (LG)
- Lazear, Edward P. and Paul Oyer, 2007, *Personnel Economics*, *NBER Working Paper Series* No. 13480, Cambridge MA (LO)
- Milgrom, Paul and John Roberts, 1992, *Economics, Organization and Management*, Prentice Hall, Upper Saddle River NJ (MR)
- Neilson, William S. 2007, *Personnel Economics*, Pearson Education Inc., Upper Saddle River NJ (Ne)
- Oyer, P. and S. Schaefer, 2011, *Personnel Economics: Hiring and Incentives*, Chapter 20 in: Ashenfelter, O. and D. Card, *Handbook of Labor Economics* Vol. 4B, Elsevier, San Diego and Amsterdam, 1769-1823 (OS)
- Wolff, Birgitta and Edward P. Lazear, 2001, *Einführung in die Personalökonomie*, Schäffer Poeschel Verlag, Stuttgart (WL)

Formatting rules for thesis papers (must be followed strictly, template online)

- Overall: 1 page, all margins 2.5 cm, Font Arial 12 Point, line spacing 1.5.
- Title: Date of class, your name and matriculation number, (abbreviated) paper title
- Content: Answer the following questions:
- (a) What is the central research question?
 - (b) How do the authors proceed to answer it?
 - (c) What are the key results and findings?
 - (d) How could the paper have been improved?

Evaluation criteria for thesis papers

Correct statements in terms of content and language, understanding of the key messages of the paper, independent discussion of the paper, ability to ask critical questions, originality.

Formatting rules for term paper are provided separately.

The term paper presents the content of the research paper and positions it in the relevant preceding and subsequent literature. It presents a critical discussion of the paper's contribution. It is recommended to discuss the structure (table of content) of the term paper with the instructor.

Evaluation criteria for term papers

Balanced structure, deep understanding of the paper, positioning in the literature, critical discussion of content and quality of the research, language skill, independent presentation (no copying of tables or graphs from the original source).

A. Hiring and contract design

1 Hiring criteria and job seeking behavior

Background reading: BK14, BLW III, Ga2, LG 1, LG 2, L98 2, L98 3, Ne 15, WL II, OS, Ku 12

- (a) Horton, John J., 2017, The Effects of Algorithmic Labor Market Recommendations: Evidence from a Field Experiment, *Journal of Labor Economics* 35(2), 345-385.
- (b) Hensvik, Lena and Oskar Nordström Skans, 2016, Social Networks, Employee Selection, and Labor Market Outcomes, *Journal of Labor Economics* 34(4), 825-867.

2 Signaling mechanisms and opportunistic behavior

Background reading: BLW III, MR 10, Ne 16

- (a) Gibbons, R. and L.F. Katz, 1991, Layoffs and Lemons, *Journal of Labor Economics* 9(4), 351-380.
- (b) Nagin D. S., J. Rebitzer, S. Sanders and L. J. Taylor, 2002, Monitoring, Motivation, and Management: The Determinants of Opportunistic Behavior in a Field Experiment, *American Economic Review* 92(4), 850-873.

3 Probation and temporary employment

Background reading: L98 4, Ga 4, Ku 15

- (a) Ichino, Andrea and Regina T. Riphahn, 2005, The Effect of Employment Protection on Worker Effort: Absenteeism during and after Probation, *Journal of the European Economic Association* 3(1), 120-143.
- (b) Hijzen, Alexander, Leopoldo Mondauto, Stefano Scarpetta, 2017, The Impact of Employment Protection on Temporary Employment: Evidence from a Regression Discontinuity Design, *Labour Economics* 46, 64-76

B. Human capital and firm training

4 General and specific human capital or signaling

Background reading: L98 6, L98 8, Ga 5, CZ 3, BK 15, BLW I, Ga 9, Ga 10, BvO 8, Ku 19

- (a) Bedard, Kelly, 2001, Human Capital versus Signaling Models: University Access and High School Dropouts, *Journal of Political Economy* 109(4), 749-775.
- (b) Ost, Ben, 2014, How do teachers improve? The relative importance of specific and general human capital, *American Economic Journal: Applied Economics* 6(2), 127-151.

5 Asymmetric information and training

Background reading: BK 15, LG 3, L98 6, Ne 19, Ku 19

- (a) Blatter, Marc, Samuel Muehlemann, Samuel Schenker, and Stefan C. Wolter, 2016, Hiring costs for skilled workers and the supply of firm-provided training, *Oxford Economic Papers* 68(1), 238-257.
- (b) Autor, David H., 2001, Why Do Temporary Help Firms Provide Free General Skills Training? *Quarterly Journal of Economics* 116(4), 1409-1448.

C. Payment and incentives

6 Incentive effects of performance based pay

Background reading: BK 11, BLW VII, Ga 7, L95 2, MR 12, L98 5, Ne 4-6, WL III, BV, Ku8

- (a) Lazear, Edward P., 2000, Performance Pay and Productivity, *American Economic Review* 90(5), 1346-1361.
- (b) Bandiera, O., I. Barankay, I. Rasul, 2005, Social Preferences and the Response to Incentives: Evidence from the Personnel Data, *Quarterly Journal of Economics* 120(3), 917-962 (ohne Abschnitt V).

7 Team incentives and team pay

Background reading: BLW VIII, Ga 13, L95 5, L98 12, Ne 11, Ku 24-27

- (a) Knez, M. and D. Simester, 2001, Firm-Wide Incentives and Mutual Monitoring at Continental Airlines, *Journal of Labor Economics* 19(4), 743-772.
- (b) Bartel Ann P., Nancy D. Beaulieu, Ciaran S. Phibbs, and Patricia W. Stone et al. 2014, Human Capital and Productivity in a Team Environment: Evidence from the Healthcare Sector, *American Economic Journal: Applied Economics* 6(2), 231-259.

8 CEO pay

Background reading: MR 13, LG 12, Ne 13

- (a) Bandiera, Oriana, Luigi Guiso, Andrea Prat, and Raffaella Sadun, 2015, Matching firms, managers, and incentives, *Journal of Labor Economics* 33(3), 623-681.
- (b) Fabbri, Francesca and Dalia Marin, 2016, What Explains the Rise in CEO Pay in Germany? A Panel Data Analysis for 1977-2009, *Scandinavian Journal of Economics* 118(2), 235-263.

D. Motivation

9 Tournament theory

Background reading: BK 16, BLW IV, BLW V, Ga 8, L95 3, LG 11, L98 9, Ne 9, Ku 20-23

- (a) Delfgaauw, Josse, Robert Dur, Joeri Sol, and Willem Verbeke, 2015, The effects of prize spread and noise in elimination tournaments: a natural field experiment, *Journal of Labor Economics* 33(3, pt. 1), 521-570.
- (b) Delfgaauw, Josse, Robert Dur, Joeri Sol, and Willem Verbeke, 2013, Tournament Incentives in the Field: Gender Differences in the Workplace, *Journal of Labor Economics* 31(2, pt. 1), 305-326.

10 Seniority pay

Background reading: BLW VI, L95 4, L98 11

- (a) Frimmel, Wolfgang, Thomas Horvath, Mario Schnalzenberger, and Rudolf Winter-Ebmer, 2018, Seniority Wages and the Role of Firms in Retirement, *Journal of Public Economics* 164, 19-32.
- (b) Macpherson, David A., Kislaya Prasad, and Timothy C. Salmon, 2014, Deferred compensation vs. efficiency wages: An experimental test of effort provision and self-selection, *Journal of Economic Behavior & Organization* 102, 90-107.

E. Job Organisation and Job Mobility

11 Job mobility in internal labor markets

Background reading: BK 8, LG 15, MR 11

- (a) Pfeifer, Christian, 2014, A Note on Dual Internal Labor Markets and Wages of Temporary Workers: Evidence from Linked-Employer-Employee Data, *Journal of Labor Research* 35(2), 133-142.
- (b) Haeck, Catherine and Frank Verboven, 2012, The Internal Economics of a University: Evidence from Panel Data, *Journal of Labor Economics* 30(3), 591-626.

12 Job mobility and public policies

Background reading: BvO10, 12, 13, CZ 9,12, Ga 12

- (a) Dube Arindrajit, T. William Lester, and Michael Reich, 2016, Minimum Wage Shocks, Employment Flows, and Labor Market Frictions, *Journal of Labor Economics* 34(3), 663-704.
- (b) Bauer, Thomas K., Stefan Bender, and Holger Bonin, 2007, Dismissal Protection and Worker Flows in Small Establishments, *Economica* 74(296), 804-821.