



# **ME 1: Personnel Economics**

## **Course Syllabus, Fall 2024**

**Module Number:** 22MO0001

**Lectures:** Tuesday 08.15 – 09.45, KOL-F-117 and online (Podcast)

**Lecturer:** Prof. Dr. Uschi Backes-Gellner, Dr. Maddalena Davoli

**Exam Date:** January 7<sup>th</sup>, 2025, 08.00 – 09.45, room TBD

**Curricula-Classification:** MA: required course ME, MA: required electives BWL3

**ECTS-Points:** 6.0

**Course Webpage:** <https://www.business.uzh.ch/de/research/professorships/emap/teaching/courses/Fall-Term-2024.html>

**Contact:** For any questions, please contact Maddalena Davoli (maddalena.davoli@business.uzh.ch)

### **Course Overview**

This course provides an economic analysis of human resource management policies. We analyze the efficient allocation and motivation of employees as well as their development of skills within a company. We discuss recruiting mechanisms, training strategies and efficient compensation schemes. The course has a particular focus on recent empirical evidence within the field of personnel economics. Additionally, we will guide students through ethical perspectives in HRM and assist them in developing a background in corporate social responsibility for use in managerial decision taking in HRM.

### **Course Objectives**

After successful completion of the course students are able to:

1. Understand and apply theoretical models from personnel economics (e.g., human capital, signaling and screening, compensation, tournament theory and others),
2. Understand and apply empirical analyses (e.g., ordinary least squares, panel models, limited dependent variable models, instrumental variables estimation and others),
3. Reliably interpret econometric evidence,
4. Evaluate theoretical models based on advanced econometric methods,
5. Transfer theoretical models to solve practical problems, including ethical aspects.

### **Course Prerequisites**

All bachelor level compulsory courses.

### **Exams and Grading**

Course grades will be based on a written final exam and on successful completion of all four take-home assignments. All take-home assignments have to be handed in before the given deadline (which is usually one week after distribution). Students are eligible for the final exam only if they have handed in all take-home assignments on time. Please note that 6 ECTS points are granted for this course, meaning you have to invest approximately 180 hours of workload into this course. A substantial part is for your individual reading of the required literature and for thoroughly preparing your homework assignments.



## Course Content

1. Recruiting and Internal Labor Markets
2. Training as Human Capital Investment
3. Layoffs and Quits
4. Workforce Demography
5. Compensation
6. Business Ethics and Sustainability in HRM
7. Careers and Entrepreneurship

## Course Material

The required textbook for this course is:

Lazear, Edward P., and Michael Gibbs. 2009. *Personnel Economics in Practice*. 2<sup>nd</sup> Edition. New York: Wiley.

Possible alternatives:

Backes-Gellner, Uschi, Edward P. Lazear, and Birgitta Wolff. 2001. *Personalökonomik – Fortgeschrittene Anwendungen für das Management*. Stuttgart: Schäffer-Poeschel.

Lazear, Edward P. 1998. *Personnel Economics for Managers*. New York: Wiley.

Lazear, Edward P., and Michael Gibbs. 2015. *Personnel Economics in Practice*. 3<sup>rd</sup> Edition. New York: Wiley.

In addition to the textbook, we will assign specific research papers to each topic. They are also required readings and their content will be included in the final exam. Note that reading the slides is not a substitute for reading the book and the additional research papers.

Lecture material and take-home assignments are available on OLAT (registration via UZH “Modulbuchungstool” is required for access). Take-home assignments have to be submitted on time via OLAT.

## WWF Statutory Course Policies

According to WWF study regulations, all exam dates are *final* as published in the VVZ. This means that the final exam date(s) and time(s) are *not negotiable*. It will not be possible to take any exams on different dates.

Check your class schedule for possible *exam conflicts* at the beginning of the semester, as this is your own responsibility. If you want to avoid heavy workload and taking multiple exams in one day you will have to rearrange your class schedule accordingly before the semester starts. Please arrange yourself by taking the respective classes only.

*Academic dishonesty* in any form will not be tolerated. Anyone caught cheating or engaging in unethical behavior will be reported to the Dean’s office according to the guidelines on academic dishonesty set forth by the University of Zurich. Students must be familiar with and comply by the *WWF Examination and Assessment Honor Code*.

Don’t forget to *officially register* yourself using the registration tool (Modulbuchungstool) of the University of Zurich. Credits can only be awarded with registration. Please also note the strict deadline for registration, and the strict date for withdrawal in case you consider dropping the course.

**Note:** The information in this syllabus supports the official information in the electronic university registration tool (VVZ – Vorlesungsverzeichnis). In cases of doubt, the official information in the VVZ is decisive.



### **Reading and other Requirements**

- The material covered in class will generally correspond to the material assigned in the textbook, although the lectures may present the material from a different point of view. Lectures should be viewed as complements, rather than substitutes, for the readings. It is expected that you work yourself through the required readings every week.
- You are responsible for any changes or additions to what follows that may be announced in class.

### **Additional Course Policies**

One benefit of the computer age is the availability of laptops, with which one can take notes during class. If you find such computerized note-taking useful, we tolerate it. Not encouraged, however, is the use of computers for email, tweeting, blogging, etc. Please use your laptop politely in class, without disturbing other students.



## **Course Outline**

### **L0. Introduction and Organizational Details**

### **L1. Recruiting and Internal Labor Markets**

#### **A. Theory: Revision of basics and extension**

**A1.** Recruitment decisions in perfect labor markets

**A2.** Recruitment strategies in case of asymmetric information

#### **B. Empirical analyses of human resources policy practices**

**B1.** Recruitment strategies in case of asymmetric information:

### **L2. Training as Human Capital Investment**

#### **A. Theory: Revision of basics and extension**

**A1.** Investments in Education

**A2.** Investments in On-the-Job Training

#### **B. Empirical analyses of human resources policy practices**

**B1.** Apprenticeship Training

**B2.** On-the-Job Training: the Skill Weights Approach

### **L3. Layoffs and Quits**

#### **A. Theory**

#### **B. Empirical analyses**

### **L4. Workforce Demography**

**A. Changes in workforce demography and consequences for firms and policy issues**

**B. Workforce demography: Hiring and productivity of older worker**

### **L5. Compensation**

#### **A. Theory**

**A1.** Quantitative and Subjective Performance Measurement

**A2.** Rewarding performance

#### **B. Empirical analyses**

### **L6. Business Ethics and Sustainability in HRM**

#### **A. Introduction**

**B. Examples: Age diversity and gender discrimination**

### **L7. Careers and Entrepreneurship**

#### **A. Theory**

**A1.** Promotions and Incentives

**A2.** Seniority Pay and Incentives

#### **B. Empirical analyses**

**B1.** Careers

**B2.** Entrepreneurship

**B3.** New Work Arrangements



## Reading List

### 1. Recruiting and Internal Labor Markets

#### Required readings:

Lazear/Gibbs Ch.1 & Ch.2

Backes-Gellner, Uschi, and Simone N. Tuor. 2010. "Avoiding labor shortages by employer signaling: on the importance of good work climate and labor relations." *Industrial and Labor Relations Review* 63 (2): 271-286.

Kroch, Eugene A., and Kriss Sjoblom. 1994. "Schooling as human capital or a signal: some evidence." *Journal of Human Resources* 29 (1): 156-180.

#### Suggested readings

Becker, Gary S. 1962. "Investment in human capital: a theoretical approach." *Journal of Political Economy* 70 (5): 9-49.

Salop, Joanne, and Steven Salop. 1976. "Self-selection and turnover in the labor market." *Quarterly Journal of Economics* 90 (4): 619-627.

Spence, Michael. 1973. "Job market signaling." *Quarterly Journal of Economics* 87 (3): 355-374.

Stanton, Christopher T., and Catherine Thomas. 2016. "Landing the First Job: The Value of Intermediaries in Online Hiring." *Review of Economic Studies* 83 (2): 810-854.

Wooldridge Ch. 17.2

### 2. Training as Human Capital Investment

#### Required readings:

Lazear/Gibbs Ch.3

Geel, Regula, Johannes Mure, and Uschi Backes-Gellner. 2011. "Specificity of occupational training and occupational mobility: an empirical study based on Lazear's skill-weights approach." *Education Economics* 19 (5): 519-535.

Lazear, Edward P. 2009. "Firm-specific human capital: a skill-weights approach." *Journal of Political Economy* 117 (5): 914-940.

Mohrenweiser, Jens, and Uschi Backes-Gellner. 2010. "Apprenticeship training: for investment or substitution?" *International Journal of Manpower* 31 (5): 545-562.

Wolter, Stefan C., Samuel Muehlemann, and Juerg Schweri. 2006. "Why some firms train apprentices and many others do not." *German Economic Review* 7 (3): 249-264.

#### Suggested readings:

Backes-Gellner, Uschi, Renold, Ursula, and Wolter, Stefan C.. 2020. *Economics and Governance of Vocational and Professional Education and Training (including Apprenticeship) (E-Book): Theoretical and Empirical Results for Researchers and Educational Policy Leaders*. Bern: hep verlag. Ch. 1

Balestra, Simone, and Uschi Backes-Gellner. 2017. "Heterogeneous returns to education over wage distribution: who profits the most?" *Labour Economics* 44(2017): 89-105.

Dionisius, Regina, Samuel Muehlemann, Harald Pfeifer, Guenter Walden, Felix Wenzelmann, and Stefan C. Wolter. 2009. "Cost and benefit of apprenticeship training: a comparison of Germany and Switzerland." *Applied Economics Quarterly* 55 (1): 7-37.

Shaw, Kathryn, and Edward P. Lazear. 2008. "Tenure and output," *Labour Economics* 15 (4): 704-723. Wooldridge Ch. 17.1 & 17.5



### **3. Layoffs and Quits**

#### Required readings:

Lazear/Gibbs Ch.4

Balestra, Simone, and Uschi Backes-Gellner. 2016. "When a door closes, a window opens? Investigating the effects of involuntary separations." *German Economic Review* 1(18): 1-21.

Bingley, Paul, and Niels Westergaard-Nielsen. 2006. "Job changes and wage growth over the careers of private sector workers in Denmark." *Contributions to Economic Analysis*: 309-329.

Gielen, Anne C., and Jan C. van Ours. 2010. "Layoffs, quits and wage negotiations." *Economics Letters* 109 (2): 108-111.

#### Suggested readings:

Gibbons, Robert, and Lawrence F. Katz. 1991. "Layoffs and lemons." *Journal of Labor Economics* 9 (4): 351-380.

Kanazawa, Kyogo, Daiji Kawaguchi, Shigeoka Hitoshi, and Yasutora Watanabe. 2022. "AI, skill, and productivity: The case of taxi drivers." *IZA Discussion Paper Series*, Working Paper No. 15677.

Wooldridge Ch.14 & Ch.15

### **4. Workforce Demography**

#### Required readings:

Hirsch, Barry T., David A. MacPherson, and Melissa A. Hardy. 2000. "Occupational age structure and access for older workers." *Industrial and Labor Relations Review* 53 (3): 401-418.

Pekkarinen, Tuomas, and Roope Uusitalo. 2012. "Age and productivity: evidence from piece rates." *IZA Discussion Paper Series*, Working Paper No. 6909.

### **5. Compensation**

#### Required readings:

Lazear/Gibbs Ch.9 & Ch.10

Eriksson, Tor, and Marie Claire Villeval. 2008. "Performance-pay, sorting and social motivation." *Journal of Economic Behavior & Organization* 68: 412-421.

Kamenica, Emir. 2012. "Behavioral economics and psychology of incentives." *Annual Review of Economics* 4: 427-452.

Lazear, Edward P. 2000. "Performance pay and productivity." *American Economic Review* 90 (3): 1346-1361.

#### Suggested readings:

Gneezy, Uri, Stephan Meier, and Pedro Rey-Biel. 2011. "When and why incentives (don't) work to modify behavior." *Journal of Economic Perspectives* 25 (4): 191-209.



## 6. Business Ethics

### Required readings:

Backes-Gellner, Uschi, and Stephan Veen. 2013. "Positive effects of ageing and age diversity in innovative companies – Large-scale empirical evidence on company productivity." *Human Resource Management Journal* 23 (3): 279-295.

Janssen, Simon, Simone N. Tuor Sartore, and Uschi Backes-Gellner. 2016. "Discriminatory Social Attitudes and Varying Gender Pay Gaps within Firms." *Industrial and Labor Relations Review*, 69(1): 253-279.

### Suggested readings:

Card, David, Alexandre Mas, Enrico Moretti, and Emmanuel Saez. 2012. "Inequality at work: the effect of peer salaries on job satisfaction." *American Economic Review* 102 (6): 2981-3003.

Pfeffer, Jeffrey. 2010. "Building sustainable organizations: the human factor." *Academy of Management Perspectives* 24: 34-45.

Cook, Cody, Rebecca Diamond, Jonathan Hall, John A. List, and Paul Oyer. 2018. "The Gender Earnings Gap in the Gig Economy: Evidence from over a Million Rideshare Drivers." *NBER Working Papers* 24732, National Bureau of Economic Research, Inc.

## 7. Careers and Entrepreneurship

### Required readings:

Lazear/Gibbs Ch.11

Lazear, Edward P., and Paul Oyer. 2004. "Internal and external labor markets: a personnel economics approach." *Labour Economics* 11 (5): 527-554.

Lazear, Edward P. 2005: "Entrepreneurship." *Journal of Labor Economics* 23 (4): 649-680.

### Suggested readings:

Backes-Gellner, Uschi, and Kerstin Pull (2013). "Tournament compensation systems, employee heterogeneity and firm performance." *Human Resource Management* (52): 375-398.

Chen, M. K., Chevalier, J. A., Rossi, P. E., & Oehlsen, E. 2017. "The value of flexible work: Evidence from Uber drivers." *NBER Working Papers* 23296, National Bureau of Economic Research, Inc.

Lazear, Edward P., and Sherwin Rosen. 1981. "Rank-order tournaments as optimum labor contracts." *Journal of Political Economy* 89 (5): 841-864.

Liang, James, Hui Wang, and Edward P. Lazear, 2014. "Demographics and Entrepreneurship," *NBER Working Papers* 20506, National Bureau of Economic Research, Inc.