

Center for Human Resources and Labor Studies  
Carlson School of Management  
UNIVERSITY OF MINNESOTA

Personnel Economics

HRIR 5662 (2 credits)  
Spring 2021, B term  
5:45-9:05 p.m. Tuesdays  
Remote via Zoom

Professor John W. Budd  
3-300T Carlson School of Management  
[jbudd@umn.edu](mailto:jbudd@umn.edu)  
Office Hours: Tuesdays 4:00-5:00 p.m.,  
Fridays 9:00-10:00 a.m., and by appointment

Personnel economics is the application of economic theories to human resource management issues, such as compensation, promotions, performance evaluation, selection, and training. Personnel economics provides a rigorous framework for analyzing human resources policies by focusing on the behavior of self-interested workers. Personnel economics is particularly useful for understanding workers' responses to economic incentives, especially when information is imperfect so that employees and their work cannot be perfectly observed or monitored. Human resource managers can use the teachings of personnel economics to predict employees' responses to various human resources policies, and use this knowledge to complement other perspectives when designing policies to best achieve the desired goals.

Learning Objectives: By the end of this course, students should be able to:

- **Identify** the key assumptions and topics of personnel economics.
- **Discuss** the mainstream economics view of incentives within organizations and the implications for compensation, promotions, performance evaluation, selection, and training as developed through stylized economic models.
- **Analyze** human resource management issues using the insights generated by economic theories. Note: this does not involve the literal application of stylized economic models; rather, the goal is to develop more sophisticated ways of thinking so that you are better prepared to analyze real cases in a holistic way.
- **Understand** the limitations of personnel economics.

Overall Advice: Strive to understand the economic models in this course as they are presented (that is, in a stylized, homo economicus world) and then look for real-world applications of the insights. Do not try to understand the models as literal presentations of real-world applications.

In-class Advice: ASK QUESTIONS!

## COURSE MATERIALS

The course is designed to be successfully completed through student engagement with class lectures, slides, videos, and assignments. There is also an optional textbook that can be used if it's helpful in understanding the course content.

### Optional Textbook

William S. Neilson (2006) *Personnel Economics* (Upper Saddle River, NJ: Pearson Education). [Thanks to Professor Neilson's generosity, the needed sections can be accessed in Canvas]

## ASSIGNMENTS AND GRADING

### Assignment Due Dates and Weights

|   |                                      |     |
|---|--------------------------------------|-----|
| Problem Set .....                               | March 30, 2021 .....                 | 25% |
| Application.....                                | April 13, 2021 .....                 | 30% |
| Padlet Connections Postings .....               | any time before April 27, 2021 ..... | 5%  |
| Exam .....                                      | April 27, 2021 .....                 | 30% |
| Performance Evaluation Self-Study Quizzes ..... | any time March 24-May 1, 2021 .....  | 10% |

### Assignments Summary

(refer to the assignment pages in Canvas for details and updates)

**Problem Set:** A set of problems to solve and answer, covering the first three weeks of topics (units 1-3).

**Application:** A short paper / memo or a concise PowerPoint slide deck that analyzes the application of personnel economics to a specific human resources situation.

**Padlet Connections Postings:** Up to two postings in Padlet that connect personnel economics to outside material, with one example that is consistent with personnel economics and one that is not, and including brief explanations.

**Exam:** A mostly cumulative exam in Canvas consisting of short answers, problems, and essays. An optional Q&A session in preparation for the exam will be offered on the Saturday before the exam, along with extra office hours.

**Performance Evaluation Self-Study Quizzes:** Two short quizzes that follow a two-part video on performance evaluation.

Note: With the exception of an option to complete the application with a partner, these are all individual assignments. You are welcome—even encouraged—to discuss the course material and assignments with each other to deepen your understanding, but each student is responsible for submitting their own, unique, original work.

Zoom Expectations: This course is being delivered remotely with an emphasis on synchronous class sessions during the designated class time each week. **For the subject matter of this course, the biggest value of synchronous class meetings is to allow you to ask questions in real time and avoid a lot of wasted time struggling with confusion. Please take advantage of this opportunity and ask questions whenever you are confused.** Additionally, please treat the Zoom classroom the same as a traditional classroom, with a particular focus on respect, attentiveness, and engagement. Please keep your microphone muted when not speaking, but do not hesitate to participate. If it is a source of stress or discomfort, you do not need to turn your camera on; rather, the top priorities are learning and engagement. Please add a picture of yourself to your Zoom profile and make sure that your screenname includes your preferred first name and last name. Be sure to let the instructor know in real time if something isn't working. And again, ask questions in real time by speaking up, raising your hand, or using the chat feature.

Learning Community Expectations: Professors, students, and other participants in the HRIR 5662 learning community are expected to behave respectfully, professionally, and empathetically at all times. These expectations include, but are not limited to, the following:

*Inclusion and Civility.* Always demonstrate the utmost respect to class participants, guests, and any group members. Welcome diverse perspectives and voices to be heard and understood. Engage in a collaborative exploration of issues rather than a defense of pre-conceived ideas. Contribute to the course in a constructive, inclusive, supportive, and respectful manner free from rudeness, prejudice, bias, and harassment. Listen thoughtfully to others, do not interrupt, and respond to alternative views with reason, civility, and empathy.

*Honesty.* Do your own work. Plagiarizing from other students, books and journals, the internet, and other sources is a serious offense and is not acceptable. Be sure to fully cite your work. Make honest contributions to any group projects (do not be a free rider).

All course materials, such as slides, assignments, videos, and classroom recordings, are only for the use of students enrolled in this course, and it is dishonest to share them. Students must not share any of these materials with other University of Minnesota students not in the same section of this course, and must not distribute, upload, or share them in any other manner inside and outside of the university. This violates the instructor's rights to their intellectual work product, violates student privacy, and allows others to cheat.

*Attentiveness.* Find a location for class sessions and group work that allows you to be attentive. Mute your microphone when not speaking, and try to avoid other distracting or disruptive behaviors. Unforeseen events occur and students have multiple demands on their time. If you have to attend to something else, please make sure your microphone is muted and your video is off. Only use the chat for the task at hand.

*Flexibility and Patience.* We are in uncertain times. Please be flexible and patient if there are technological disruptions or if any aspect of the course must change. Please communicate openly with the professor if you experience problems or have concerns.

*Preparation.* Come to class prepared to listen, learn, and participate. Ask questions when you are confused!

*Timeliness.* Complete assignments on time. Be on time for class and any group meetings. If you must arrive late or leave early, please do so quietly. Provide advance notice to the professor whenever possible.

*Tennessee Warning Notice:* To make this class more accessible to all enrolled students, I intend to record all class meetings. Since your audio/video may be part of those recordings I am informing you. Any recordings that clearly show your image or name will only be shared with students enrolled in this class during this semester, in accordance with FERPA regulations. De-identified recordings may be shared by the instructor with parties not enrolled in this class this semester.

## Course Outline

---

| <b>Week</b>   | <b>Date</b> | <b>Unit(s)</b>   |
|---------------|-------------|--|
| 1             | March 9     | I. Introduction—Homo Economicus at Work<br>II. Labor Demand and Optimal Skill Ratios |
| 2             | March 16    | III. Pay for Performance   |
| 3             | March 23    | III. Pay for Performance (continued)   |
| self-directed |             | IV. Performance Evaluation   |
| 4             | March 30    | V. Promotions and Tournaments  |
| 5             | April 13    | VI. Selecting and Motivating Multiple Types of Workers                               |
| self-directed |             | VII. Implicit Contracts and Efficiency Wages   |
| 6             | April 20    | VIII. Training<br>XI. Conclusion—The Power and Limits of Personnel Economics         |
| 7             | April 27    | exam   |

---

## Video Timing and the Content Coverage of Assignments

| Unit  | Watch...     |             |                   | Included?  |          |                    |
|---|--------------|-------------|-------------------|--|----------|--------------------|
|   | Before Class | After Class | When Best for You | Problem Set  | Exam     | Self-Study Quizzes |
| <b>I. Introduction—Homo Economicus at Work</b>                    |              |             |                   |  |          |                    |
| Pre-lecture videos (3)  | Yes          |             |                   | Not explicitly, but is important foundational material |          |                    |
| Lecture   |              |             |                   |  |          |                    |
| <b>II. Labor Demand and Optimal Skill Ratios</b>                  |              |             |                   |  |          |                    |
| Lecture   |              |             |                   | Yes  |          |                    |
| <b>III. Pay for Performance</b>                                   |              |             |                   |  |          |                    |
| Pre-lecture video (1)   | Yes          |             |                   |  |          |                    |
| Lecture   |              |             |                   | Yes  | Yes      |                    |
| Post-lecture video (1)  |              | Yes         |                   |  | Yes      |                    |
| <b>IV. Performance Evaluation</b>                                 |              |             |                   |  |          |                    |
| Video   |              |             | Yes               |  | see note | Yes                |
| <b>V. Promotions and Tournaments</b>                              |              |             |                   |  |          |                    |
| Pre-lecture video (1)   | Yes          |             |                   |  | Yes      |                    |
| Lecture   |              |             |                   |  | Yes      |                    |
| <b>VI. Selecting and Motivating Multiple Types of Workers</b>     |              |             |                   |  |          |                    |
| Lecture   |              |             |                   |  | Yes      |                    |
| <b>VII. Implicit Contracts and Efficiency Wages</b>               |              |             |                   |  |          |                    |
| Video   |              |             | Yes               |  | Yes      |                    |
| <b>VIII. Training</b>   |              |             |                   |  |          |                    |
| Lecture   |              |             |                   |  | Yes      |                    |
| <b>XI. Conclusion—The Power and Limits of Personnel Economics</b> |              |             |                   |  |          |                    |
| Lecture   |              |             |                   |  | Yes      |                    |

Note: the exam will not explicitly include questions from unit 4, but insights and applications from performance evaluation would likely strengthen answers to essay questions when relevant.

## UNIVERSITY POLICIES

1. As a student at the University you are expected to adhere to Board of Regents Policy: Student Conduct Code. To review the Student Conduct Code, please see: [http://regents.umn.edu/sites/regents.umn.edu/files/policies/Student\\_Conduct\\_Code.pdf](http://regents.umn.edu/sites/regents.umn.edu/files/policies/Student_Conduct_Code.pdf). Carlson School students are expected to understand and uphold the Carlson School Code of Conduct. Any violation of the Code of Conduct will not be tolerated and appropriate action will be taken.
2. You are expected to do your own academic work and cite sources as necessary. Failing to do so is scholastic dishonesty. Scholastic dishonesty means plagiarizing; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; altering, forging, or misusing a University academic record; or fabricating or falsifying data, research procedures, or data analysis.
3. Using personal electronic devices in the classroom setting can hinder instruction and learning, not only for the student using the device but also for other students in the class. To this end, the University establishes the right of each faculty member to determine if and how personal electronic devices are allowed to be used in the classroom. For complete information, please reference: <http://policy.umn.edu/education/studentresp>.
4. Taking notes is a means of recording information but more importantly of personally absorbing and integrating the educational experience. However, broadly disseminating class notes beyond the classroom community or accepting compensation for taking and distributing classroom notes undermines instructor interests in their intellectual work product while not substantially furthering instructor and student interests in effective learning. Such actions violate shared norms and standards of the academic community.
5. Students will not be penalized for absence during the semester due to unavoidable or legitimate circumstances. Such circumstances include illness, participation in intercollegiate athletic events, subpoenas, jury duty, military service, bereavement, and religious observances. Such circumstances do not include voting in local, state, or national elections. For complete information, please see: <http://policy.umn.edu/education/makeupwork>.
6. "Sexual harassment" means unwelcome sexual advances, requests for sexual favors, and/or other verbal or physical conduct of a sexual nature. Such conduct has the purpose or effect of unreasonably interfering with an individual's work or academic performance or creating an intimidating, hostile, or offensive working or academic environment in any University activity or program. Such behavior is not acceptable in the University setting.
7. The University provides equal access to and opportunity in its programs and facilities, without regard to race, color, creed, religion, national origin, gender, age, marital status, disability, public assistance status, veteran status, sexual orientation, gender identity, or gender expression.

8. The University of Minnesota views disability as an important aspect of diversity, and is committed to providing equitable access to learning opportunities for all students. The Disability Resource Center (DRC) is the campus office that collaborates with students who have disabilities to provide and/or arrange reasonable accommodations.

If you have, or think you have, a disability in any area such as, mental health, attention, learning, chronic health, sensory, or physical, please contact the DRC office to arrange a confidential discussion regarding equitable access and reasonable accommodations. If you are registered with the DRC and have a disability accommodation letter dated for this semester or this year, please contact your instructor early in the semester to review how the accommodations will be applied in the course.

9. As a student you may experience a range of issues that can cause barriers to learning, such as strained relationships, increased anxiety, alcohol/drug problems, feeling down, difficulty concentrating and/or lack of motivation. These mental health concerns or stressful events may lead to diminished academic performance and may reduce your ability to participate in daily activities. University of Minnesota services are available to assist you. You can learn more about the broad range of confidential mental health services available on campus via the Student Mental Health Website: <http://www.mentalhealth.umn.edu>.
10. Academic freedom is a cornerstone of the University. Within the scope and content of the course as defined by the instructor, it includes the freedom to discuss relevant matters in the classroom. Along with this freedom comes responsibility. Students are encouraged to develop the capacity for critical judgment and to engage in a sustained and independent search for truth. Students are free to take reasoned exception to the views offered in any course of study and to reserve judgment about matters of opinion, but they are responsible for learning the content of any course of study for which they are enrolled.