

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

Personnel Economics

HRIR 5662 (2 credits)
Fall 2023, A term
5:45–9:05 p.m. Wednesdays
1-143 Carlson School

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Office Hours: Wednesdays 4:00–5:00 p.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, you 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 your 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	September 27, 2023.....	25%
Application.....	October 4, 2023.....	30%
In-person Exam	October 18, 2023	30%
Padlet Connections Postings	any time until October 17, 2023.....	5%
Performance Evaluation Self-Study Quizzes	any time Sept 20–Oct 17, 2023	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.

Exam: A mostly-cumulative, closed-book, in-class exam consisting of short-answer problems and essays.. See Canvas for details.

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.

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.

Classroom Expectations

Respect and Inclusion. We all have an ongoing responsibility to ensure that everyone feels welcome and included, to not be offensive to each other, and to not participate in or condone harassment or discrimination of any kind. Use specific, accurate, and respectful language to describe identities and address each other. Ask questions and contribute to class discussions in a positive, inclusive, and respectful manner. Consider perspectives other than our own, listen to understand, and respond to dissenting views with respect. Be respectful and empathetic with your classmates and your group members.

Unfortunately, incidents of bias or discrimination do occur, whether intentional or unintentional. You can report concerns to Professor Budd, Stacy Doepner-Hove, the University's [Bias Response and Referral Network \(BRRN\)](#), or any other trusted individuals.

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). It is also dishonest to share class notes and any other course materials such as slides, assignments and videos, beyond the classroom community. You 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 interests in their intellectual work product while also allowing others to cheat.

Preparation. Come to class prepared to listen, learn, and participate. Attend group meetings prepared to make full contributions and to help other group members make valuable contributions. Ask questions when you are confused!

Attentiveness. Electronic devices are allowed in class only to support learning. You must ensure that they do not serve as a distraction to you or those around you.

Timeliness. Complete assignments on time. Be on time for group meetings and for class. Unforeseen events occur and students have multiple demands on their time. Please communicate proactively with group members if your availability changes. If you must arrive late or leave early from class, do so without walking in front of any speakers. Provide advance notice to the instructors whenever possible. Reserve the seats by the door for those who must arrive late or leave early.

Caring and Empathy. Please care for each other and demonstrate understanding, empathy, and grace. Please be mindful of your mental health. If you are struggling academically, physically, mentally, or emotionally, do not wait to seek assistance. Counseling and other services are available.

Artificial Intelligence (AI) Language Models. You are not allowed to use ChatGPT or other AI language models to directly answer any assignment or question (so, for example, do not ask ChatGPT any of the assignment questions, and do not cut and paste). However, you are allowed to use AI language models for idea generation and other complementary knowledge that help YOU answer a problem or question. In other words, you can use AI language models just as you can use material from lecture and from non-AI sources—to help stimulate your thinking but not to directly answer any prompt or question. You are responsible for fact checking and critically evaluating statements composed by AI language models (and those from other sources, too). You must cite ideas and information gathered from AI language models just as you must cite ideas and information from other sources. Tips on citing AI information can be found [in this citation guide](#).

Course Outline

Week	Date	Unit(s)
1	September 6	I. Introduction—Homo Economicus at Work II. Labor Demand and Optimal Skill Ratios
2	September 13	III. Pay for Performance
3	September 20	III. Pay for Performance (continued)
	self-directed	IV. Performance Evaluation
4	September 27	V. Promotions and Tournaments
5	October 4	VI. Selecting and Motivating Multiple Types of Workers
	self-directed	VII. Implicit Contracts and Efficiency Wages
6	October 11	VIII. Training XI. Conclusion—The Power and Limits of Personnel Economics
7	October 18	In-person exam

The lectures will not be delivered remotely. You are welcome to wear a mask in class even if not required by University policy. Recordings for asynchronous viewing and Zoom office hours are available.

Tennessee Warning Notice: To make this class more accessible to all enrolled students, some or all class meetings may be recorded. 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. Recordings without visual identifiers may be shared by the instructor with parties not enrolled in this class this semester.

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
I. Introduction—Homo Economicus at Work						
Pre-lecture video (1)	Yes					
Lecture				Not explicitly, but is important foundational material		
Post-lecture videos (2)		Yes				
II. Labor Demand and Optimal Skill Ratios						
Lecture				Yes		
III. Pay for Performance						
Lecture				Yes	Yes	
Mid-lecture video (1)		After 1 st lecture			Yes	
IV. Performance Evaluation						
Video			Yes		see note	Yes
V. Promotions and Tournaments						
Pre-lecture video (1)	Yes				Yes	
Lecture					Yes	
VI. Selecting and Motivating Multiple Types of Workers						
Lecture					Yes	
VII. Implicit Contracts and Efficiency Wages						
Video			Yes		Yes	
VIII. Training						
Lecture					Yes	
XI. Conclusion—The Power and Limits of Personnel Economics						
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. 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.