

**Economics 152**  
**Personnel Economics**  
**Winter 2009**

Professor: Philip Babcock

Office: North 2036

Office Hours: M W 10:00-11:00

Course Webpage: <http://www.econ.ucsb.edu/~babcock/Econ152w.html>

Teaching Assistant: Matt Lang

Office Hours: TuTh 3:30-4:30 NH 2015

**Lectures:**

MW 2:00-3:15 SH 1431

**Section:**

Lang 12591: F 10:00-10:50 PHELP 3505

Lang 12609: W 12:00-12:50 PHELP 1260

**Prerequisites:** Economics 100B or 104B.

**Description:** Studies the allocation and pricing of labor within firms. Topics covered include employee selection, design of optimal piece rates, advantages and disadvantages of seniority-based pay, tournaments and promotions, and incentives in team production.

**Textbook:** Personnel Economics for Managers, by Edward Lazear, 1998, John Wiley and Sons Ltd. Our textbook is an excellent hands-on book designed to help MBA students think about personnel management in the real world. We will cover both the informal approach in the textbook as well as the more mathematical proofs that are included in the text. The course will emphasize the economics of education and training slightly more than the textbook, which covers both topics in a relatively short Chapter 6.

**Clickers:** We will be using remote “clickers” in class to make class sessions more interactive. These will be required. You may purchase your “clicker” at the bookstore.

**Exams & Grading**

Midterm 1: Jan. 28, class time

Midterm 2: Feb. 25, class time

Final Exam: Mar. 17, 4-7.

Your grade will be a weighted average of your performance on Midterm 1 (~25%), Midterm 2 (~25%) and the Final Exam (~45%). There will also be a slight reward (no more than 5%) for attendance and answers to in-class clicker questions. The clicker is not optional. Though attendance and clicker responses do not count for much of the grade, *you must have a clicker and use it in order to pass the class.* The 25-25-45 exam weights are approximate, and I might adjust them. The first midterm exam will only test material

covered until then; the second midterm exam will focus on the material taught after the first midterm, but *will* include earlier material as well. The final exam will cover material from the entire quarter. I will assign homework regularly, and it is important that you attempt to do all assigned problems. You need not turn in homework. The catch is that answers will not be posted on the web. The TA will go over solutions in sections and I will work out some problems in lecture.

### **Succeeding in the Course**

Doing well in this course requires you to not only attend lectures and section, but to practice solving problems. Problem Sets will be available on the course web page. The TA will work through exercises in section. This will be most beneficial to you only if you have seriously attempted the problems on your own first. **Solutions to the problem sets will *not* be posted on the web. Please do not ask for them.** The TA may not always get to all the problems in section. If you wish for more assistance, you are encouraged to go to TA office hours or my own office hours.

### **Administrative Issues**

The Economics department offices handles all matters related to dropping or adding the course, wait lists, etc. Please contact them regarding these issues. You are expected to take all three exams. Make-up exams will not be offered. If you have an exceptional medical circumstance, formally **documented** in a doctor's note, it may be possible to shift weight from a missed midterm to the other 2 exams. If you believe an exam has not been properly graded, you must submit a re-grade request to me by the lecture after the one in which the exam was returned to you. You must explain clearly why you believe your score is in error. I will then go over the *entire* exam and change your score *either up or down* as is necessary. If you wish to contact me, you may email me at [babcock@econ.ucsb.edu](mailto:babcock@econ.ucsb.edu), but please type ECON 152 in the subject header so that I can identify the message as class-related (rather than Spam!) In general, do please check announcements, syllabus, and other material posted on the course webpage before emailing, as questions may already have been addressed there.

### **Schedule of Topics: (Subject to Revision)**

Chapter 1 Introduction  
Chapter 2 Setting Hiring Standards  
Chapter 3 Hiring the Right People  
Chapter 4 Learning a Worker's Productivity  
Chapter 5 Variable Pay or Straight Salary  
Chapter 6 Human Capital  
Chapter 7 Turnover, Layoffs, and Buyouts  
Chapter 8 Information, Signaling, and Raiding  
Chapter 9 Promotions as Motivators  
Special Topic: Discrimination in Hiring  
Chapter 11 Seniority-Based Incentive Schemes  
Chapter 12 Teams