Course Description

This course examines selected material on compensation and incentives in hierarchical organizations. Topics include recruitment and hiring, training, turnover, downsizing, motivating workers, teams, allocating authority and task assignment.

Prerequisites and Exclusions

Prerequisites:
ECO(200Y5/204Y5/206Y5), ECO(220Y5/227Y5)/STA(250H1,257H5/256H5)/

Exclusions:
ECO370Y5; ECO 426H1; MGT310Y1

See the Academic Calendar [https://registrar.utm.utoronto.ca/student/calendar/calendar.pl] for more details about prerequisites and exclusions. Prerequisites are strictly checked and enforced and must be completed before taking a course. By taking this course you acknowledge that you will be removed from the course at any time if you do not meet all requirements set by the Department of Economics.

Text, Cases, and References

Required Text: Available at bookstore

Useful References:
Required Harvard Business School (HBS) cases, available for your purchase at ($3.95 for each case) https://cb.hbsp.harvard.edu/cbmp/access/23307868

- United Parcel Service (A) [9-488-016] by Jeffrey Sonnenfeld and Meredith Lazo. The extensive use of information technology by competitors (especially Federal Express) forced UPS to consider for building an information services department. Options available to UPS are: “make” (promote from within), “buy” (external hires), outsource, etc. It provides an excellent description of a classic internal labor market as well as other personnel policies.
- Lincoln Electric Co. [9-376-028] by Norman Fast and Norman Berg. Lincoln Electric has the world’s most famous incentive scheme, and the case is the HBS’ most famous case. It covers most major incentive issues, and describes possibly the most well designed and effective incentive system ever documented.

Supplemental Readings
- Journal Articles: required pages are indicated in the parenthesis (updated constantly).

Grading

There will be three problem sets, one midterm and one final.

- Problem sets: analysis of two Harvard Business School (HBS) cases
  - Problem set 1. Due February 6 (week 5).
  - Problem set 2. Due March 20 (week 10).
  - Case presentation based on problem sets: week 6 and week 12
- Final. Date TBA. Covers the entire course. Duration 2 hours, closed book.

The grade is given by

- Problem Sets and Case Presentation 30%
- Midterm 30%
- Final 40%

There will be readings assigned every week and the students must read them before class in order to be ready for class discussion.

We will use the above two HBS cases to illustrate ideas and topics of personnel economics that are covered in this course. You should start reading them very carefully at the beginning of the class. Problem set 1 consists of questions based on the case of United Parcel Service (A), while questions in problem set 2 will base on the case of Lincoln Electric Co. Each student should join a group with four students by the end of Week 2. Each group needs to submit only one solution for each problem set. In Week 6 and Week 12, I will randomly pick groups to present their case analysis based on the problem sets, which means that each group should also prepare and submit slides for the case analysis. Each solution to the two problem sets will account for 10% each, and presentation/slides will account for 10%. Late submission of problem sets is not acceptable. Students in groups that fail to submit on time will all get the default score of zero.

The midterm is not optional. A student who misses the midterm for reasons beyond their control may, within one week after the missed test, submit a written request to me for special consideration explaining the reason for missing the test, and attaching appropriate documentation, such as the Verification of Illness or Injury form (www.illnessverification.utoronto.ca). If I deem the
explanation appropriate, the full percentage weight of the missed midterm may be allocated to the final exam, that is, the final exam for this student will account for 70% of the final grade. Otherwise, the student will get the default score of zero.

Requests for re-grades must be written within one week of the exam being returned. To ensure consistency, our TA will re-grade the entire test, not just a single question.

**Academic Misconduct**

Copying, plagiarizing, or other forms of academic misconduct will not be tolerated. Any student caught engaging in such activities will be subject to academic discipline ranging from a mark of zero on the assignment, test or examination to dismissal from the university as outlined in the academic handbook. Any student abetting or otherwise assisting in such misconduct will also be subject to academic penalties. As a student it is your responsibility to ensure the integrity of your work and to understand what constitutes an academic offence. If you have any concerns that you may be crossing the line, always ask your instructor. Your instructor can explain, for example, the nuances of plagiarism and how to use secondary sources appropriately; he or she will also tell you what kinds of aids -- calculators, dictionaries, etc. -- are permitted in a test or exam. Ignorance of the rules does not excuse cheating or plagiarism. For more information regarding the Code of Behaviour please see the Academic Calendar.

**Turnitin**

Students agree that by taking this course all required papers may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site.

**Course Schedule**

**Part One: Organizational and Job Design**

Week 1 (January 9)  Introduction and Decision Making

- HBS Case: United Parcel Service (A)
- HBS Case: Lincoln Electric Co.
- LG, Chapter 5
Week 2 (January 16) Organizational Structure and Job Design

- LG, Chapter 6-8, 14-15
- MR, Chapter 12, pp. 408-423

Part Two: Sorting and Investing in Employees

HBS Case: United Parcel Service (A)

Week 3 (January 23) Hiring, Screening and Signaling

- LG, Chapter 1-2
- MR, Chapter 10

Week 4 (January 30) Training

- LG, Chapter 3, 15
- MR, Chapter 10

Week 5 (February 6) Turnover, Retention, and Layoffs

Problem Set 1 Due at the End of the Day

- LG, Chapter 4
- MR, Chapter 10
Week 6 (February 13)  Case Presentation and Discussion: United Parcel Service (A)

Week 7 (February 27)  In Class Midterm

Part Three: Pay for Performance  
HBS Case: Lincoln Electric Co.

Week 8 (Mach 6)  Introduction and Performance Measurement

- LG, Chapter 9-10
- MR, Chapter 7, 12
- Roy, Donald (1952), “Quota Restriction and Goldbricking in a Machine Shop,” American Journal of Sociology, 427-422, [all]

Week 9 (March 13)  Incentive Pay and Reward for Performance

- LG, Chapter 9-10
- MR, Chapter 7-8, 13

Week 10 (March 20)  Career-Based Incentives and Internal Labor Market 
Problem Set 2 Due at the End of the Day

- LG, Chapter 11-12
- MR, Chapter 11

Week 11 (March 27)  Non-Monetary Incentives and Benefits

- LG, Chapter 13-15

Week 12 (April 3)  Case Presentation and Discussion: Lincoln Electric Co.