

LER 545
Economics of Human Resources
Fall 2017
Professor Craig Olson

Class: Thurs: 11-1:50, 35 LER

My contact info:

caolson@illinois.edu

333-2586

Office Hrs: Thurs: 2-3 PM or by appointment

Text:

Edward P. Lazear & Michael Gibbs, Personnel Economics in Practice (Wiley, 2015, 3rd edition).

In addition to hardcover copies, the text is available as an e-book and also in paperback.

A number of Harvard Business School (HBS) cases & other readings will be available on a Harvard Business School Publishing web site to be announced. You will have to register at this HBSP site to gain access to the site.

Other readings will be pdf files that can be found on the class's Compass Web site (compass2g.illinois.edu).

Course Description:

This course is designed to provide an introduction to labor economics and the contributions of labor economics to our understanding of the employment relationship.

Over the last century in the U.S. labor economists have played a more central role than any other single discipline in the development of new knowledge about the employment relationship. Over the last 35 years this research has begun to include the application of labor economics to an understanding of firm human resource practices. Key concepts new commonly used by HR professionals, including "human capital", were originally developed by economists in the early sixties at the University of Chicago. Since then, a new field within labor economics that is referred to as "personnel economics" has flourished. This course provides an introduction to these developments in a way that stresses how the research in this area can help firms better manage their human resources.

Course Learning Objectives

- Expose students to basic economic theories applicable to understanding how the labor market works.

- Learn how to apply basic economic principles to labor market public policy issues. Understand the major theories that describe how wages are determined.
- Understand the economics of discrimination.
- Learn to apply basic economic principles to firm staffing decisions, including recruitment, selection and employee retention.
- Understand how economists think about the design and use of incentives in a variety of settings.

Prerequisites:

There is no prerequisite for the course. However, a basic familiarity with statistics, Microsoft Excel, and an ability to read graphs will be very useful. Please see me if you are unsure whether you have an appropriate background to understand the material.

Distribution requirement:

This course fulfills the “Labor Markets and Employment” distribution requirement for the LER master’s program.

Course Requirements:

The course will consist of both lectures and class discussion. **The class discussions will center focus on the HBS cases that you will have to read and be prepared to discuss on the assigned date.** In order to discuss these cases you will need to have either a digital or printed copy of the case with you when you come to class. We will frequently refer to the case during our discussions. The grading scheme is:

Midterm	35%
Final exam	55%
Classroom contributions & homework (Quantity & quality):	10%

Homework assignments:

If the class does not come prepared to discuss the cases then I will be forced to assign written homework assignments that will have to be submitted electronically before the case is discussed in class.

Attendance policy, laptops, and class participation:

You are expected to arrive on time, attend all class sessions, and participate in class discussion. Please turn off your cell phone ringer during class.

While class is in session, laptops may be used solely for note taking. Laptops and cell phones may not be used to check email, instant message, surf the web, or do anything that is not related to the class. These activities are distracting to those around you and to me. If I am distracted by inappropriate laptop or phone use, or if I receive complaints from students that they are distracted, I will suspend the use laptops during class.

Course website:

This course uses Illinois Compass2G as a course website. For continuing students, note that this is a new version of Compass that can be accessed at <https://compass2g.illinois.edu> by students registered in the course. This website will contain copies of all class handouts, homework assignments, answer keys, and most readings (see reading list below). You must upload your completed homework assignments to this website.

Email:

Occasionally I will send out an announcement to the class via email through Compass2G. I use the official University of Illinois email addresses. Please be sure you have a working University of Illinois email account that you regularly check. Also, make sure Compass2G will forward announcements to your preferred email account.

Academic Integrity:

You are responsible for knowing and abiding by the policies contained in the University of Illinois *Code of Policies and Regulations Applying to All Students*. See <http://admin.illinois.edu/policy/code/>. Cheating in any way is considered a very serious offense. Anyone caught cheating in this course will be subject to the penalties discussed in the *Code*. These penalties include, among others, a failing grade for the course and dismissal from the University.

***** Please let me know if you have any condition, such as a physical or learning disability, that will make it difficult for you to meet the requirements of this course or that will require some form of academic accommodation.**

CLASS SCHEDULE
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Date:	TOPICS	READINGS
31-Aug	Introduction, course mechanics & overview Supply & demand basics Employee hiring & recruitment	Lazear-Gibbs (LG) chpt 1
07-Sep	Employee hiring & recruitment	LG chpt 2-3 Borjas_1.pdf
14-Sep	Human capital: formal & informal training	LG chpt 3
21-Sep	Wage Determination: Beyond Human Capital Theory Employee turnover, match quality and learning Case: UPS (A)	LG chpt 4 LG chpt 13
28-Sep	Discrimination in the labor market Case: Southwest Airlines & HR (A)	
05-Oct	Job design	LG chpt 7-8
12-Oct	Employee attitudes toward risk	
19-Oct	MIDTERM	
26-Oct	Designing a piece-rate pay plan	LG chpt 9
02-Nov	Piece rates versus salary Case: Sear's Auto Centers	LG chpt 10
09-Nov	Incentives in complex jobs Case: Lincoln Electric	LG chpt 11
16-Nov	Promotion tournaments	LG chpt 13
23-Nov	Thanksgiving Break	
30-Nov	Pensions & Health Ins	

07-Dec Stock, stock options & CEO pay
8/27/2017

LG chpt 12