COURSE OUTLINE AND READING LIST (Revised 4/20/09)

The purpose of this course is to analyze personnel problems using economics. All readings are included in your packet and are essential reading. The course is graded on a final examination, a midterm examination, and on two assignments to be completed during the term. The final exam counts for 50% of the final grade, while the midterm counts for 20%, with the problem sets each worth 15%.

**Weeks 1-2**
- a. Lecture on the employment relationship
  - b. Readings
    - Class notes
    - Reynolds, Masters and Moser, Chapter 2
    - Reynolds, Masters and Moser, Chapter 3
    - Caterpillar: A Classic Conflict

**Week 2**
- a. Lecture on human capital and education
  - b. Readings
    - Class notes

**Weeks 2-3**
- a. Lecture on seniority
  - b. Readings
    - C. Prendergast, “The Provision of Incentives in Firms,” Section 3

**Week 4**
- a. Lecture on methods of compensation
  - b. Readings
    - C. Prendergast, “The Provision of Incentives in Firms” (*weeks 4-6*)
    - Brainard, Bennis & Farrell, HBS Case
    - UPS (A), HBS Case
Weeks 4-5
a. Lecture on the tradeoff between incentives and risk sharing
b. Readings
    API (A), HBS Case
    Portman Hotel, HBS Case

Weeks 5-6
a. Lecture on relative payment, deferred compensation, and promotion
b. Readings
    Lincoln Electric, HBS Case No. 9-376-028
    UPS (A), HBS Case
c. Midterm examination

Weeks 6-7
a. Lecture on subjective performance evaluation
b. Readings
    Merck & Co. (A & B), HBS Case

Weeks 7-8
a. Lecture on CEOs and executive compensation
b. Readings
    Milgrom and Roberts, Chapter 13

Week 8-9
a. Lecture on collective bargaining and legal restraints on labor

Week 9
a. Lecture on discrimination