



THE UNIVERSITY OF CHICAGO BOOTH SCHOOL OF BUSINESS

Business 33032
Managing the Workplace

Canice Prendergast
Spring 2024

SYLLABUS

INITIAL INFORMATION

CONTACT INFO

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GRADING AND HANDOUT INFO

Course grading is based on a Final Examination (50%); Midterm Examination (20%), and two Problem Sets (15% each). Additional handouts, plus the lecture notes, will be posted on Chalk.

<u>IMPORTANT DATES</u>	<u>T/Section -01</u>	<u>Th/Section -81</u>	<u>S/Section -02</u>
First Problem Set Handed Out:	April 2	April 3	April 4
First Problem Set Due Date:	April 16	April 17	April 18
Midterm:	April 23	April 24	April 25
Second Problem Set Handed Out:	April 23	April 24	April 25
Second Problem Set Due Date:	May 7	May 8	May 9
Final Examination:	May 21	May 22	May 23

NOTE: There will be (remote) review sessions scheduled for Week 5 and Week 9.

The midterm test will be held in class, and the final exam will be remote, at the assigned time.

TOPIC SCHEDULE (OVERVIEW)

A: The Employment Decision

Topic 1: Spot Market Model

Topic 2: Long-Term Employment Relations

B: Wages over a Worker's Career

Topic 3: Human Capital and Education

Topic 4: Deferred Compensation

C: Optimal Compensation

Topic 5: Compensation and Incentives

Topic 6: Piece Rates and Measurement

Topic 7: Team Production and Promotion

Topic 8: Subjective Performance Evaluation and Career Concerns

Topic 9: Executive Compensation (recording)

D: Institutions

Topic 10: Collective Bargaining and Labor Law

Topic 11: Antidiscrimination Law

Course Outline and Reading List

The purpose of this course is to analyze personnel problems using economics. All readings are included in your packet. 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. The Employment Relationship
- b. Readings

Reynolds, Masters and Moser, Chapter 2

Reynolds, Masters and Moser, Chapter 3

Caterpillar: A Classic Conflict

Rachel Layne, “Cut Salaries or Cut People? The Best Way to Survive a Downturn”,
2018

Week 2

- a. Human capital and education
- b. Readings
 - Class notes
 - Canice Prendergast: “Some Thoughts on AI”

Weeks 3-4

- a. Deferred Compensation
- b. Readings
 - C. Prendergast, “The Provision of Incentives in Firms” (*weeks 4-6*)
 - UPS (A), HBS Case

Week 4-5

- a. Methods of compensation and Piece Rates
- b. Readings
 - C. Prendergast, “The Provision of Incentives in Firms” (*weeks 4-6*)
 - Safelite A, B, 2001
 - Carmen Nobel, “Altruistic Capital: Harnessing Your Employees’ Intrinsic Goodwill”, 2013.
 - Equity on Demand, the Netflix Approach to Compensation, Stanford GSB

Weeks 5-6

- a. The tradeoff between incentives and risk sharing
- b. Readings
 - Canice Prendergast, “What Have we Learned about Pay for Performance?” 2011.
 - Marshall and Gordon, 2013.
 - “Learn from Sears”, 2014
 - Portman Hotel, HBS Case

Weeks 6-7

- a. Measurement, Multitasking, relative payment, teams
- b. Readings

- “Arck Systems, A, B, C, D, E, F, 2011,
- “Spinal Tap Creators aim to “go to 11” with \$400m lawsuit”, 2017.
- “Wells Fargo Eliminate Sales Quotas”, 2016.
- “VA Bosses in 7 states falsified Vets’ wait times for care”, 2016.
- Brotmeister, A, B, 2016.
- Dina Gerdeman, “How to Demotivate Your Best Employees”, 2013.

c. Midterm examination

Weeks 7-8

- a. Promotion, subjective performance evaluation and career concerns
- b. Readings
 - Merck & Co. (A & B), HBS Case
 - Brainard, Bennis & Farrell, HBS Case

Recording: CEOs and executive compensation

- b. Readings
 - Becht, Bolton, and Roell, “Corporate Governance and Control”, 2011.
 - Kevin J. Murphy, “Executive Compensation: Where we are, and how we got there”, 2012.

Week 9

- a. Collective bargaining and legal restraints on labor
- b. Anti-discrimination Law