



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.

#### IMPORTANT DATES

	<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**

Topic5: 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