

EC3311 Labour Economics  
Assignment for Term 2

As part of the formative assessment for this course you are required to write an essay of approximately 2000 words. This is not a research essay, but you may need to do more reading than simply those assigned below. The essay concerns personnel economics. It is important that you demonstrate an understanding of the methodologies used by labour economists and the findings of past studies, and not just provide an 'answer'. The details of the assignment are outlined below.

**Deadline:** All essays must be submitted at the department office. The deadline for this assignment, as noted in the Student Handbook, is Thursday, 16 March, 12:00 p.m. Failure to submit 3 of the four pieces of assessed work can result in your being barred from the course exam in May. Applications for extensions can only be made to the academic coordinator, Nelini Vittal; if you ask me the answer will be "NO!!!".

**Presentation:** Essays should be approximately 2000 words and no more than 2500 words. Students are encouraged to provide up to five graphs, tables, etc. No handwritten essays will be accepted. Please staple the essay rather than using a plastic cover (this is easier for me and is cheaper and more environmentally friendly).

**Marking criteria:** The Department Standardised Feedback Form lists the following criteria: knowledge of factual material, quality of application of concepts, mastery of mathematical methods, clarity of explanation, presentation, evidence of wider reading and research. These criteria are all applicable, although clearly knowledge of factual material will obviously be more heavily weighted than presentation.

Essay topic:

You have been asked by MacDonaldis to outline pay schemes to get the most from their employees. In particular, they want to design compensation schemes for 1) part-time burger flippers and 2) franchise managers. What advice do you give them? Why might this advice be different for the two sets of employees? Explain.

Suggested Readings:

Edward Lazear, "Personnel Economics: Past Directions and Future Updates", <http://www.nber.org/papers/w6957.pdf> also in JOLE, 1999: 199-236.

Edward Lazear, "Personnel Economics and Economic Approaches to Incentives", <http://www.hku.hk/hkcer/articles/v61/lazear.htm>

Canice Prendergast, "The Provision of Incentives in Firms", Journal of Economic Literature, 37, 1999, pp. 7-63.