

Incentives in Organizations (Master)

Hours per Week

weekly Lecture and Tutorial

Exam

Written exam at the end of the semester (60 minutes)

Content

1. Principal-agent theory
2. Do top managers earn too much?
3. Performance-based payment
4. Implementation of performance-based payment in companies
5. Seniority payment
6. Impact of seniority payment on employment
7. Efficiency wages
8. Team incentives

References

Chapter 1: Principal-agent Theory

Milgrom and Roberts (1992), *Economics, Organisation and Management*, London.

Chapter 2: Do top managers earn too much?

Mishel and Sabadish (2013), CEO Pay in 2012 was extraordinarily high, EPI Issue Brief 367, Washington DC.

Fabbri and Marin (2012), What Explains the Rise in CEO Pay in Germany? A Panel Data Analysis for 1977-2009, Celsifo Working Paper 3757, Munich.

Chapter 3: Performance-based payment –Theory

Milgrom and Roberts (1992), *Economics, Organisation and Management*, London.

Chapter 4: Implementation of performance-based payment

Lazear (2000), *Performance Pay and Productivity*, *American Economic Review* 90, 1346-1361.

Chapter 5: Seniority payment –Theory

Lazear (1979), Why is there mandatory retirement? *Journal of Political Economy* 87, 1261-1284.

Hutchens (1989), Seniority, Wages and Productivity: A Turbulent Decade, *Journal of Economic Perspectives* 3 (4), 49-64.

Chapter 6: Seniority payment -Empirical evidence

Zwick (2012), Consequences of Seniority Wages on the Employment Structure, *Industrial and Labor Relations Review* 65 (1), 108-125.

Hutchens (1987), A Test of Lazear's Theory of Delayed Payment Contracts, *Journal of Labor Economics* 4, 439-457.

Ernst, Lichtenthaler and Vogt (retracted), The Impact of Accumulating and Reactivating Technological Experience on R&D Alliance Performance, *Journal of Management Studies* 48 (6), 1194-1216.

Chapter 7: Efficiency wages

Salop (1979), The model of the natural rate of unemployment, *American Economic Review* 69, 117-125.

Becker and Stigler (1974), Law enforcement, Malfeasance, and the Compensation of Enforcers, *Journal of Legal Studies* III, 1-18.

Chapter 8: Team pay

Garibaldi (2006), *Personnel Economics in Imperfect Labour Markets*, Oxford University Press, Chapter 13.

Hjort (2014), Ethnic Divisions and Production in Firms, *Quarterly Journal of Economics*, 1899-1946.

General literature:

Backes-Gellner, Lazear, Wolff (2001), *Personalökonomik*, Stuttgart (Schäffer Poeschel).

Cahuc and Zylberberg (2004), *Labor Economics*, MIT Press, Chapter 6.

Lazear, Gibbs (2009), *Personnel Economics in Practice*, 2nd Edition, Wiley.

