

**MSc Seminar Labor Economics:
“Behavioral Labor Economics: Employment and Public Policy”**

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Content

In recent years, a growing body of research in Psychology and Economics has demonstrated that individual behavior does not only depend on economic incentives and constraints, but instead is influenced by a multitude of psychological factors as well as by individual limitations in self-control, cognition, and attention. These findings have profoundly shaped the way in which economists and psychologists think about public policy. Labor-market policy is one of the key policy areas where the use of behavioral insights can fundamentally enhance market outcomes.

In this course, we will discuss how research in behavioral economics has enriched our understanding of people’s behavior in the labor market. We will also discuss how a psychologically more accurate understanding of individual behavior can help policy makers develop and apply new policy instruments that effectively make use of behavioral economics insights.

In the course, students will use the knowledge and tools from behavioral economics to address a question related to job search, employment, and labor market policy. The following questions exemplify the topics that we will discuss during the seminar:

- How do present bias and loss aversion affect individuals’ employment and earnings’ prospects?
- Do job seekers hold systematically biased beliefs regarding their chances of re-employment, prospective wages, and the effectiveness of different search strategies?
- Which policy tools can help people overcome these biases? Which subgroups of job seekers should we target specifically?
- How should labor market policies be communicated to job seekers? For instance, how does the salience and framing of different reform elements affect individuals’ understanding and perception of the policy’s underlying incentives?
- Do case workers in job centers exhibit unconscious biases that might influence the support they give to different groups of unemployed individuals?

Prerequisites

Students should have a sound knowledge of microeconomic theory and empirical methods. Students will also benefit from previous course work on behavioral economics and labor economics, although no specific previous knowledge is required.

Course Procedures and Timeline

- **Block 1: Introduction.** The course will be introduced by 1-2 lectures in the first three weeks of the semester. In the lectures, we will discuss possible topics for the seminar papers and provide an overview of the required theoretical and empirical methods.
- **Block 2: Writing Period.** Students work independently on their seminar paper (max. 15 pages), individual appointments for consultation. Tentative deadline for submission of the seminar paper: June 15, 2025.

- **Block 3: Seminar Presentations.** There will be a workshop (block seminar) where students present their seminar papers. Each student will also act as a discussant for one of the other workshop presentations. Attendance of the full workshop is mandatory. The planned date for the workshop is in the last week of June / first week of July (to be confirmed).

Seminar Paper

The seminar paper can take various forms. One possibility is to thoroughly analyze and discuss an influential research article on the selected topic and derive a policy proposal based on the behavioral phenomenon that is discussed in the articles. Another possibility is to theoretically analyze the effects of an existing law or labor market regulation from a behavioral economics perspective and discuss how existing policy instruments could be improved using behavioral economic insights. A third possibility is that students perform their own empirical investigation, based on the data underlying the selected article or based on additional data that students assemble themselves. This is an ideal preparation for subsequently conducting an empirical investigation for a MSc thesis.

Topics Assignment

Seminar topics will be assigned in the first weeks of the semester. Please check the course descriptions for further information on possible seminar topics.