

Behavioral Personnel Economics Seminar

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Introduction

- ▶ Employees are the most important resource in most companies.
- ▶ For example, innovation, production and sales are done by employees.
- ▶ Personnel cost present about $\frac{3}{4}$ of total costs in large enterprises.
- ▶ Hence, it is critical to understand this resource “personnel” better:
- ▶ How can output be maximized for a given number of employees?
- ▶ How to choose the optimal number and kind of employees?



Personnel Economics

- ▶ Personnel economics is the application of economic theory and principles to the human resources problems of the firm.
- ▶ Economic Theory as the basis of analysis
 - ▶ Behavior of actors characterized by economic rationale
 - ▶ Methods: microeconomics, game and contract theory
- ▶ Initially: limited empirical work in this area, in large part as a result of a shortage of data that enables testing of the theories.



Personnel Economics

- ▶ Over the past few years, three new types of data sources have become available.
 - ▶ Detailed data from individual firms
 - ▶ Large, administrative data sets capturing entire countries or large subsets of workers and firms within the entire country.
 - ▶ Experimental data
- ▶ **Typical questions:**
 - ▶ Recruitment: screening, signaling
 - ▶ Human capital
 - ▶ Incentives and rewards



Behavioral Economics

- ▶ **Standard economic framework: homo oeconomicus**
 - ▶ Unbounded rationality
 - ▶ Unbounded willpower
 - ▶ Unbounded selfishness
- ▶ **“Behavioral” economics:**
 - ▶ Bounded rationality: loss aversion, mental accounting
 - ▶ Self-control problems
 - ▶ Other-regarding preferences and non-material preferences



This seminar

- ▶ Behavioral personnel economics
- ▶ Theoretical as well as empirical studies of the implications of “behavioral” issues on the study of personnel.

- ▶ To receive class credit
 - ▶ Presentation of your paper in the seminar (45 minutes, slides due 2 days prior to presentation);
 - ▶ Seminar paper (max 20 pages) summarizing and criticizing your paper as well as providing suggestions for improvement/ extensions (deadline April 8)
 - ▶ Critique of one other paper (1.5 pages, 5 min presentation) due 1 day before presentation

