From optimistic to realistic? – Beliefs, Job Search and Labor Market Policy

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Job seekers are often overconfident when it comes to assessing their chances to succeed in job search. We document these biased beliefs in two unique datasets which combine register and survey data for some Public Employment Service areas in Switzerland. Moreover, we analyze the dynamics of different types of beliefs and contrast them to other determinants of successful job search. How can (biased) beliefs affect the way how labor market programs exert their effects on job search and job finding? We find, for some of the policies documented in the data, that the LMP can influence the beliefs of the participating individuals. We then use those insights to perform a matching and extrapolation approach to assess impacts of beliefs on the outcomes of different labor market policies in the total population of the unemployed.