

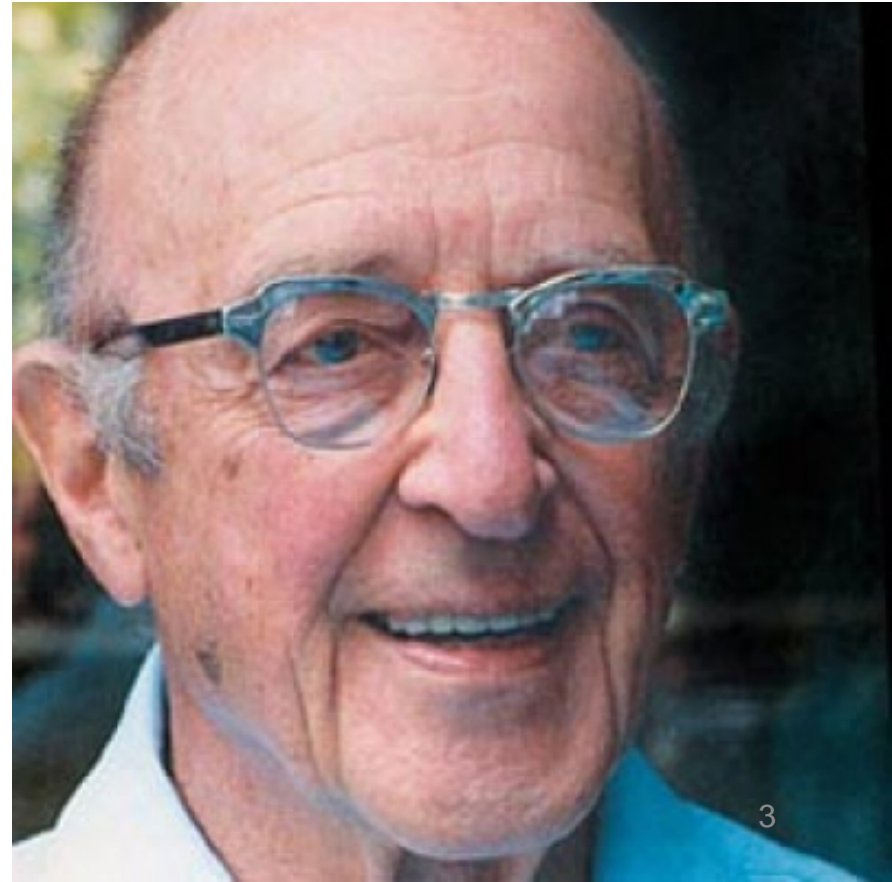
Behavioural Economics, Career Development & Irrational Decision- Making

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My Early Heroes



Just Another Animal?



Either/Or

VS

Both/And

A “Both/And” World

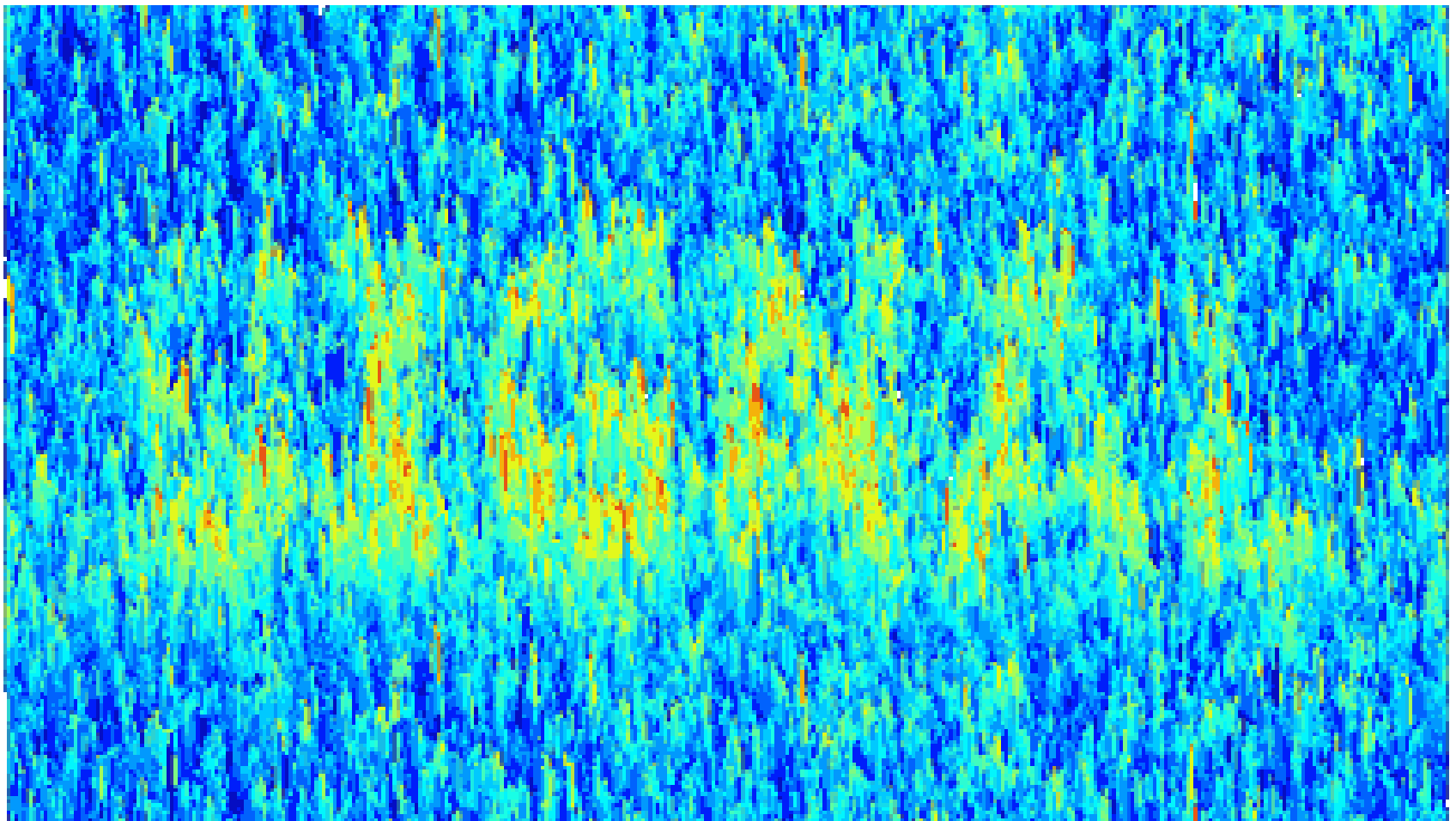
- Humans are remarkably advanced creatures with vast abilities to plan, think, weigh variables and choose

AND

- Humans very, very frequently do not do what they plan or chose (even when no outside force is stopping them)



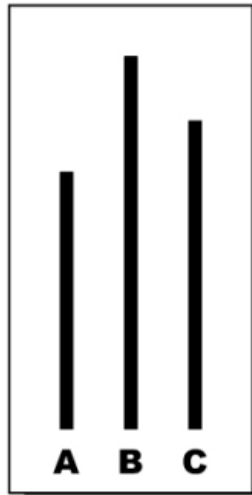
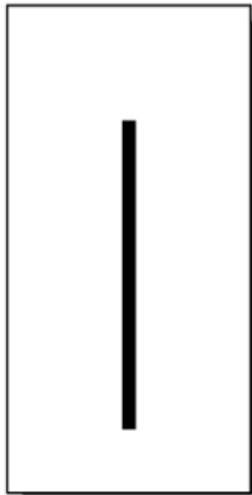
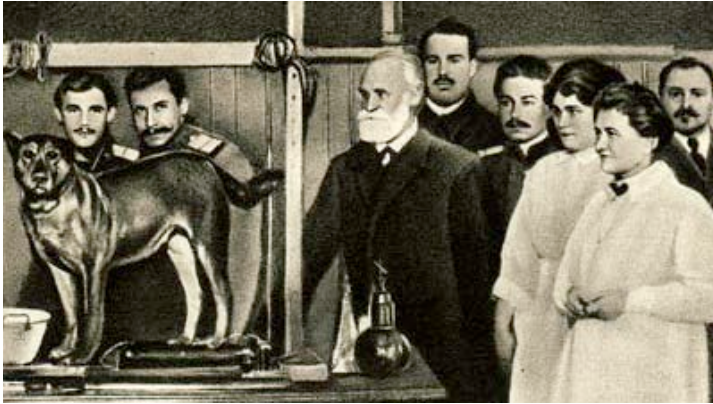
Just Noise?



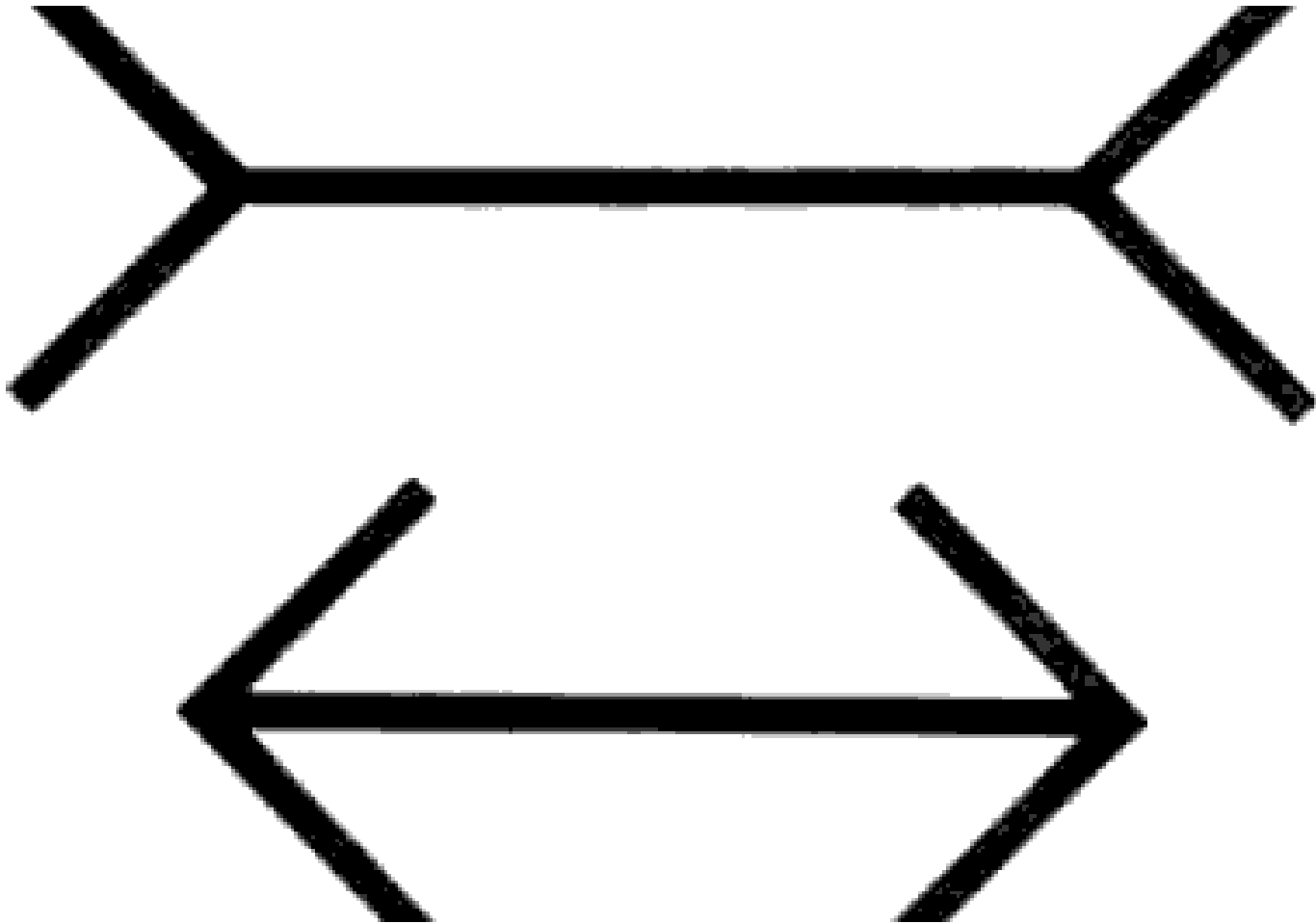
Outline

- Irrationality & behavioural economics
- Career decision-making
- Conceptual implications
- Practical implications
- Call to action

We've Seen This Before...



Cognitive Illusions



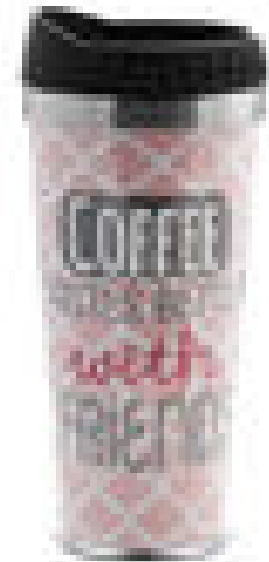
Anchoring

- Expectations rather than absolutes shape decisions
- Also called “reference dependence” or “priming”



Loss Aversion

- Having something and losing it is emotionally bigger than not having the same thing and getting it
- A travel mug you wouldn't pay \$1 for is worth \$5 once you own it!



Framing

- How information is presented often shapes decisions
 - Often combines anchoring & loss aversion
- “Australia plans to maim or kill 250,000 in traffic collisions in the next decade”
- “Australia plans to reduce serious injury and fatal vehicle collisions by 50% in the next decade” (thereby reducing collisions by 250,000)

Hyperbolic Discounting

- Present bias means “further in the future = less valuable” (but not quite linearly!)
 - Cookie today or 2 tomorrow?
 - Cookie in 365 days or 2 in 366?
 - Instead of a raise in 6 months, how about retirement savings?

Sunk Cost Bias

- Looking at future investments as if past investments matter

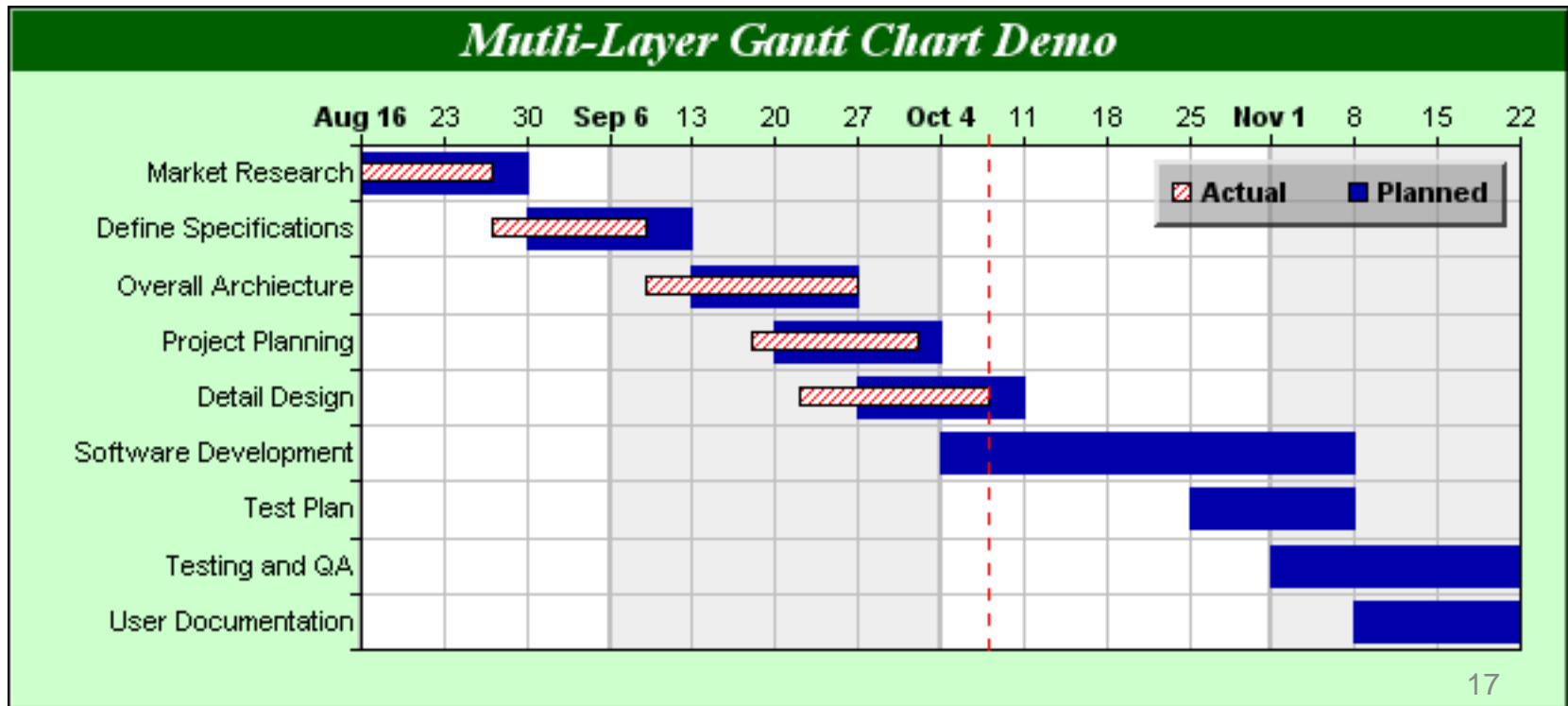


Base Rate Neglect

- Similar to anchoring – people judge probabilities poorly because they focus on relative rather than absolute change
- Gigerenzer: Report of “100% more blood clotting problems” with a 3rd generation pill led to 13,000 additional abortions
- Actual problems went from 1 in 7000 to 2 in 7000

Planning Fallacy

- Tendency to plan to the best case, not the likely or worst case



Crowding Out

- External rewards “crowd out” intrinsic motivation



Priming

- Like anchoring, but with concepts rather than numbers
- 1,097 people -- \$32
- Us - \$300



Focusing Illusion

- Overemphasizing the importance of things when we are thinking about them



Kahneman's Metaphor

- System 1
 - Automatic, quick, little or no effort, involuntary
 - The elephant
- System 2
 - Allocates attention to mental activities that require attention and concentration
 - The rider

What about Career Decisions?

If career decisions are about “big” decisions, maybe this work isn’t that important

MACRO

If “every decision is a career decision,” then these cognitive biases / effects / illusions may be very important

MICRO

NANO

Philosophy to Ponder...

- Assumption of the rational decision-maker?
- Real aim of our work?
- Is “self” a cognitive illusion?

Policy to Ponder...

- To what degree should government disrupt or nudge System 1 choices?

Practice to Ponder...

- How should changing System 1 fit into our practices?
- How can we help System 2 to override System 1?
- How can improving System 1 choices backfire?
- To what degree does System 1 shape our clients'/students' behaviour?
- What would practice look like if we embraced System 1?

To be Continued...

- Bear in mind Robert Sapolsky's work on the uniqueness of humans:

the less that it is possible that something can be, the more it must be!

Thank You!

- For questions or comments, contact:

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