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 3\textsuperscript{rd} 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

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

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