

Bad Market, Bad Contracts

A Job Scarcity Mindset Impairs Decisions Made on the Job Market

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<https://zoom.us/j/6096281459?pwd=T0xNWjhIQzZsV2VtTEWyoEJnKzRNQT09>



Introduction

Economic analyses have demonstrated the long-term negative effects of graduating during a recession on earnings and career progression. **Why?**

- Lower Quality of Employers (Economic; *Past Research*)
- Job Scarcity Mindset (Psychological; *Current Research*)

Building on past research investigating the negative impacts of a “scarcity mindset” (Shah et al., 2012), we propose that under conditions of job scarcity, individuals’ job decisions and outcomes suffer due to their “job scarcity mindset”.

Highlights

- ❖ A Job scarcity mindset impairs job-related decision making (Study 1 & 2).
- ❖ The scarcity mindset lingers even when actual job market conditions improved (Study 2).
- ❖ Psychological interventions could potentially improve individuals’ job decisions and outcomes in scarce environments.

Job Scarcity Mindset

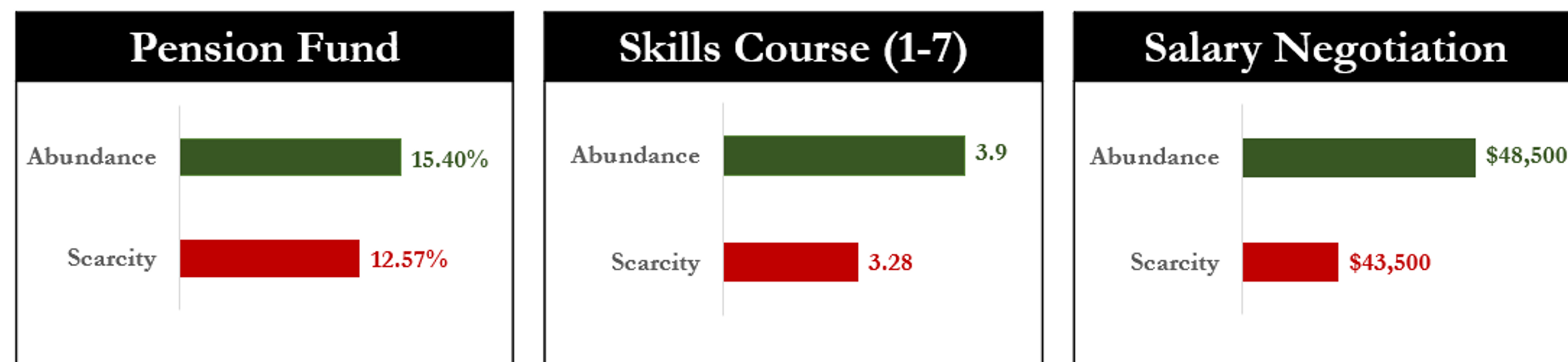
KEY IDEA

A job scarcity mindset is defined as the belief that there are not enough jobs available in the (job) market for job seekers.

Study 1

Method: Vignette study (N=100; within-subject), participants were asked to indicate their job preferences and make a series of job-related choices either under conditions of a) job scarcity or b) job abundance; the order of conditions was counterbalanced.

Results: When offered a job, participants in the scarcity condition a) put less in pension fund, b) opted for skills training less, and c) made a lower counter request against a salary offer of \$40,000



Discussion: Individuals in scarcity conditions displayed behaviour that could lead to reduced salaries and worse career progression.

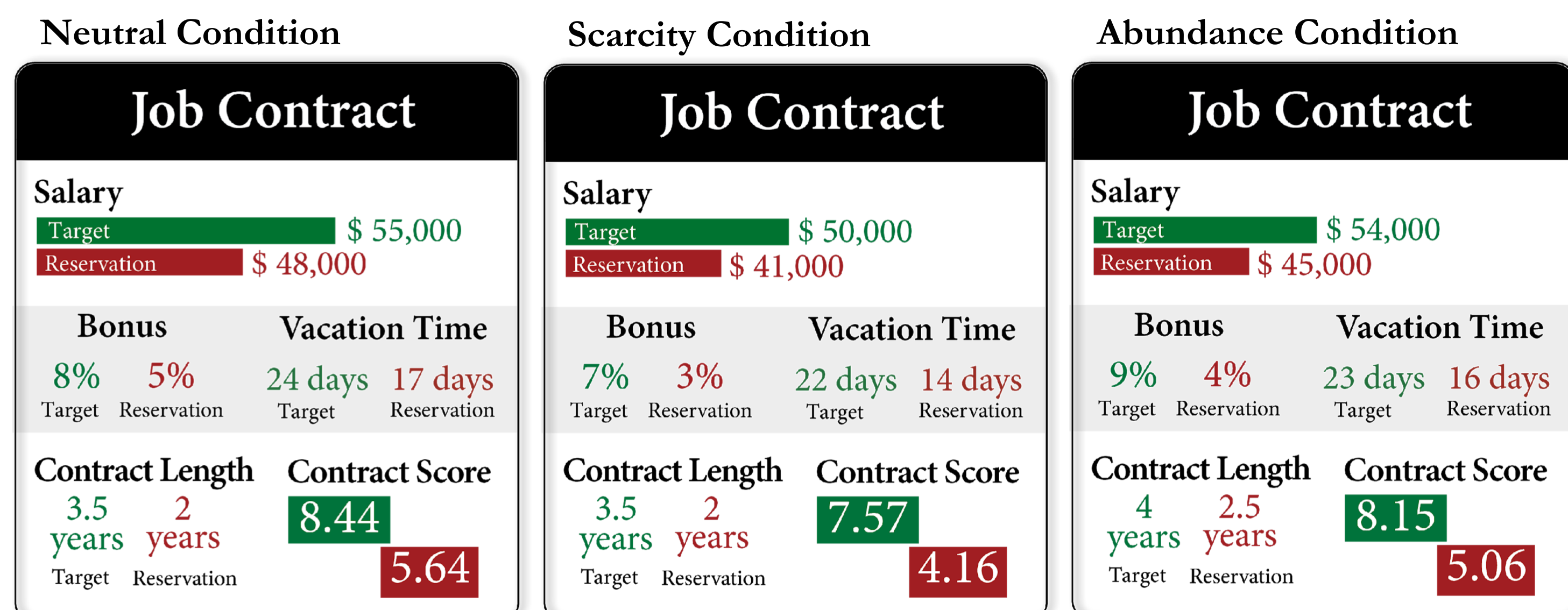
Study 2

Method: Job market simulation study (N=149; between subject), participants were asked to prepare for a hypothetical job negotiation under a) scarce, b) abundant, or c) neutral *predicted* job market conditions.

- IMPORTANT, after the preparation all participants were shown the same *actual* job market conditions (neutral).

Job Market Simulation: i) Participants provided information on their job search self-efficacy (potential mechanism), ii) Participants were then “offered a job” and asked to provide their *target* (i.e. ideal amount) and *reservation* (i.e. minimum acceptable offer) for different aspects of their job contract with their employer (see below).

Results: Individuals in the scarcity conditions set lower *reservations* (salary, bonus, & vacation) along with lower *targets* (salary) than in neutral and abundance conditions (all $p < .001$). This led to lower overall “contract score”. Lower reservations (but not targets) were mediated by reduced job search self efficacy ($F(2, 46) = 8.88; p = .0002$).



Summary and Future Directions

Results of both studies indicate deleterious effects of a “job scarcity mindset” of job outcomes, providing a psychological explanation of the challenges associated with job search in a recession. Future studies seek to gather evidence in the field and develop an intervention.

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