Numerocity Biases and the Perceived Chances of Getting a Job: Experimental Evidence and Implications for Directed Search

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Abstract

In the labor market, a clear implication of internet-based job applications is the ability of every worker to apply to more jobs without a corresponding increase in the firms' capacity to interview more workers. In this paper, I consider the interaction between the congestion caused by this imbalance and the search behavior of workers.

I hypothesize, and show preliminary experimental evidence that, statistical biases related to numerocity can affect probabilistic judgement in such a way as to cause misjudgements: faster "applying" is shown to potentially lead to suboptimal early "quitting."

I use estimations from the experimental evidence to calibrate a slightly extended version of the equilibrium directed search model of Gonzalez and Shi, 2010. Simulations show that this bias causes a hollowing-out of the middle class from the wage distribution, as high-skill workers who experience rejection direct their search to jobs with lower-than-optimal wages.