

# Game-Based Behavioral Economics Assessments in Which Job Candidates Can Earn Real Money

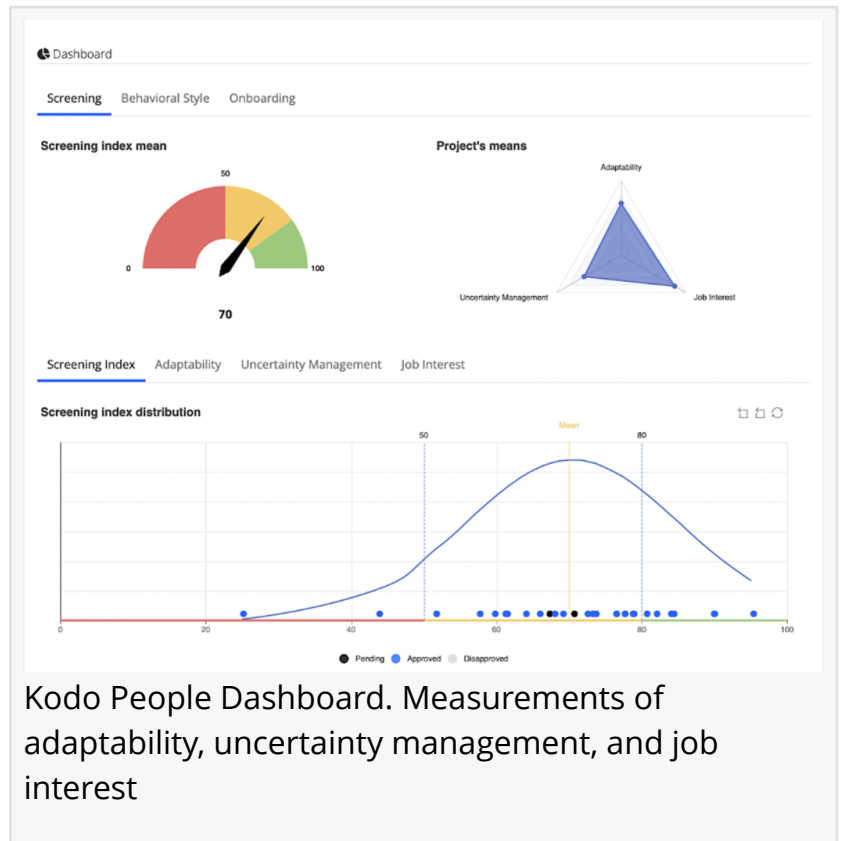
*A new Talent Assessment tool based on Behavioral Economics, Kodo People, revolutionizes recruitment through economic games where job candidates can earn money*

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Behavioral Economics has fully edged into Talent Management and Human Resources thanks to the SaaS created by the startup [Kodo People](https://www.kodopeople.com/). Behavioral Economics is a scientific subdiscipline of Economics that treats humans, not as rational, optimizing machines but as "[predictably irrational](#)" animals" that make decisions based on emotions and heuristics. This perspective has helped to better understand some key elements of economic and social

behavior such as altruism, loss aversion or biases in decision making, and has led to several Nobel prizes in Economics in recent years (for example, Richard Thaler in 2017).

Human Resources departments have been using tests to assess their employees and, especially, their candidates in personnel selection processes for decades. Cognitive skills were the first choice for decades as intellectual ability is a powerful predictor of job performance. Little by little, recruiters began to include other types of tests on the soft skills of their candidates (apart from tests on technical skills, or hard skills). For example, questionnaires on personality traits have become very common to assess candidates, especially for managerial and middle management positions. However, candidates who face personality tests often "suffer" endless questionnaires that are generally easily manipulated, in the sense that it is relatively easy to answer what the recruiter wants (or "we think" they want), that is, giving socially desirable responses. This has made many experts wonder if it would not be better to observe their



behavior directly instead of asking candidates what they are like or, rather, what they say they are.

Kodo People SaaS is designed to revolutionize the measurement of soft skills by using assessments based on the same Economic Games that Behavioral Economics researchers have used in their scientific work for decades. Games as famous as those on decision-making under uncertainty, intertemporal choice, preference for competition, the ultimatum or trust games are now part of the selection processes of Kodo People clients.

One of the basic characteristics of this type of behavioral assessments is that the candidates make decisions with real monetary consequences, so they are not asked how they think they behave, but rather they demonstrate how they really behave in the games. That is, revealed, real preferences are measured instead of self-reported, stated preferences. Does this imply that candidates receive real money for being assessed? Yes. Well, only a few, since payments are made by lottery. At the end of their assessments, which usually lasts less than 15 minutes, the candidates play a lottery and if they win (each candidate has a 1% chance of winning) then they will receive an amount of money associated with one of their decisions in the games. The rewards can often exceed USD 100.

This is what is known as "incentive compatibility": the decisions have real economic consequences that the participants are aware of and therefore choose knowing the potential consequences of each option. For example, if you as a participant choose to wait 6 months to receive USD 30 more and you win the draw, you will have to wait those 6 months to receive the extra reward. If you choose to donate the USD 100 you receive to another participant instead of keeping it yourself and you win, you will receive nothing (but the other will receive USD 100). In this way, your behavior has consequences, just like in real life.

By observing candidates' decisions in games, Kodo People extracts crucial information about their future behavior and performance potential. And with that information, individualized reports are obtained in real time. The tool takes advantage of the proven fact that past behavior is the [best predictor of future behavior](#). Moreover, compared to typical questionnaire assessments, the ability of candidates to manipulate the results is drastically reduced thanks to the very form of the games (which are abstract and it's often difficult to know what is being measured) and their monetary incentives (making decisions that are not consistent with your preferences will make you lose utility and/or money).

All of this was only made possible by the scientific team that Kodo People has developed after years of consulting and internal research on Human Resources and Behavior, which is led by a top scientist specialized in Behavioral Economics, Antonio M. Espín (Co-founder and Chief Research Officer, PhD in Economics and research associate of research centers such as ESI Chapman, CRIBS Nottingham or Loyola Behavioral Lab). All this is combined with the business vision and market knowledge associated with the HR & Talent world of Francisco Reyes Pereira (Co-founder and CEO) and John Baldino (President), which has ensured that this new SaaS is

already delighting Talent Management professionals all over the world. As well as the candidates...

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