Who?

Who are we?

We are the Behavioural Economics Team of the Australian Government, or BETA. We are the Australian Government’s first central unit applying behavioural economics to improve public policy, programs and processes.

We use behavioural economics, science and psychology to improve policy outcomes. Our mission is to advance the wellbeing of Australians through the application and rigorous evaluation of behavioural insights to public policy and administration.

What is behavioural economics?

Economics has traditionally assumed people always make decisions in their best interests. Behavioural economics challenges this view by providing a more realistic model of human behaviour. It recognises we are systematically biased (for example, we tend to satisfy our present self rather than planning for the future) and can make decisions that conflict with our own interests.

What are behavioural insights and how are they useful for policy design?

Behavioural insights apply behavioural economics concepts to the real world by drawing on empirically-tested results. These new tools can inform the design of government interventions to improve the welfare of citizens.

Rather than expect citizens to be optimal decision makers, drawing on behavioural insights ensures policy makers will design policies that go with the grain of human behaviour. For example, citizens may struggle to make choices in their own best interests, such as saving more money. Policy makers can apply behavioural insights that preserve freedom, but encourage a different choice – by helping citizens to set a plan to save regularly.
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The best laid plans

- Policy-makers can prompt people to make plans that help to improve policy and service delivery outcomes.

- A number of studies have demonstrated that plans can help to achieve better outcomes, from increased voting behaviour to keeping important medical appointments.

- For plans to be effective, they need to be clear, with specific implementation intentions. It can help to use reminders and commitment devices, but divulging plans can sometimes be counterproductive.
Why?

Why do we make plans and what is the evidence that they work?

People make plans when there is a behaviour they want to achieve: to help follow through on intentions.

Making specific plans can help us reach our goals, and can also free up cognitive resources (‘mental space’) – once a plan for action is made, your brain no longer needs to allocate resources to that task, until you’re ready for action (Masicampo & Baumeister 2011). Another benefit of making plans is that they can help to reduce anxiety – many clinicians recommend forming a plan to help navigate stressful situations, and preparing in advance strategies to stay well (BeyondBlue 2018).

A number of studies have demonstrated that simply asking people if they intend to engage in a behaviour increases follow-through (Fitzsimons & Morwitz 1996; Nelson & Norton 2005). For example, Greenwald and colleagues (1987) investigated the influence of asking people if they expect to vote on subsequent voting behaviour. The authors found that simply asking people if they were expecting to vote resulted in an increase in voter turnout compared to a group who were not asked.

This suggests that even very simple prompts can encourage plan-making behaviour. Furthermore, systematically taking people through the steps required to complete a behaviour further increases the chance of follow-through (Gollwitzer 1999). Rogers and others (2016) suggest that plans may increase the likelihood of realising intention via three mechanisms:

1. by allowing people to develop strategies for overcoming logistical hurdles
2. by helping people remember their intentions and strategies
3. by encouraging the avoidance of potentially negative feelings associated with not honouring a commitment.
When is the government interested in people’s ability to follow through on their intentions? Why do they care?

Most policies aim to influence behaviour in some way. Indeed, many of the most challenging policy issues relate to circumstances where people don’t follow through on their best intentions.

There are many examples when government wishes to encourage positive behaviours (e.g. taking preventative actions), which may be achieved by regulation or through policy.

Areas include:

- **Health**: Planning influenza and other vaccinations, cancer screening and other health checks, positive food/exercise behaviours
- **Environmental**: Reducing home energy consumption
- **Financial**: Saving for retirement, avoiding debt
- **Service Delivery**: Helping people to apply for programmes or support when needed

Such issues are not only important to individual wellbeing, but also to society. For example, in Australia, a recent study found that the cost of obesity in 2011–12 was $8.6 billion ($3.8 billion in direct costs such as health care and $4.8 billion in indirect costs including productivity losses) (PricewaterhouseCoopers 2015).
Implementing best intentions

Why do people have trouble implementing their best intentions?

Despite having good intentions, people can struggle to implement their plans. Policy-makers can assist by taking a number of cognitive and behavioural biases into account.

Cognitive load and friction: we’re busy

In times where we’re using a lot of mental effort, plans need to be easy to enact.

Hyperbolic discounting: we’re present-based

People tend to place much more value on the present relative to the future. This can lead us to make decisions right now that affect our future state in ways that we will later regret (Strotz 1955; Laibson 1997; cited in Madrian 2014), for example, justifying behaviours that steer you away from your plans, such as saving money or quitting smoking.

We also show a preference for rewards that come sooner rather than later (even if the sooner-reward is smaller than the later-reward). When some of the rewards or costs of a choice accrue in the future we need to make a plan for behaviour, but this is also when plans may fail, as future rewards may be uncertain (Fehr 2002).

Bounded self-control: we’re tempted

This can explain many instances when we plan to behave in a certain way, but end up doing otherwise, due to limits to our self-control. We may procrastinate, failing to get started; choices may change depending on our emotional state; we form bad habits; become distracted; and small barriers may create significant deterrents to action (Gollwitzer 1999; Madrian 2014). In sum: humans aren’t perfect.

Context dependence sensitivity: we’re affected by what’s around us

What we choose to do is often heavily influenced by what is happening around us at the time. For example, we exhibit a bias toward the status quo (doing what we were already doing); choices are sensitive to how decisions are framed (“it’s only one little biscuit”); and we often evaluate outcomes not in terms of absolutes but relative to reference points (“this bid is only $5,000 over my maximum, which doesn’t seem much in the scheme of $500,000”).

We also care to some degree about others (fairness – “I should help my friend although I was going to exercise”), and particularly, what others think of us and our choices: we adhere to social norms (e.g. “I planned not to drink, but everyone else is”) (Madrian 2014).
How can policy-makers and service delivery agents help people overcome these biases?

Several behavioural tools and strategies can help people to act the way they would like to, and stick to their intended plans. These include:

**A-grade plans**

**Specific plans with implementation intentions – helping us think about the future**

“Without a plan for implementation, individuals who face competing demands for their attention are prone to forget what it is they wanted to do” (Madrian 2014). A study about helping employees to form and implement a savings plan used a planning aid which a) encouraged employees to set aside a specific time for enrolling in their savings plan; b) outlined the steps involved; c) approximated the time required for each step; d) provided trouble-shooting tips (Lusardi et al. 2009).

The planning aid increased enrolment in the savings plan for new employees. Being clear and specific with what you want to achieve, breaking the goal into manageable steps, having a timeline and tracking progress can all aid with sticking to a plan and goal attainment.

From a policy perspective, interventions that involve an implementation plan are low cost, so they may demonstrate high cost-effectiveness relative to other potential interventions.

Such interventions could be effective at encouraging a variety of socially desirable behaviours, including purchasing life insurance, creating a will, or switching to energy-efficient light bulbs (Madrian 2014). Similarly, individuals can create implementation intentions, which link anticipated difficult future situations to automatic goal-directed responses (e.g. “Whenever situation x arises, I will initiate the goal-directed response y”). An example of an ‘if-then’ plan like this may be “If it is lunchtime at university, then I will eat an apple instead of crisps” (Chapman et al. 2009). A meta-analysis by Gollwitzer and Sheeran (2006) demonstrates that implementation intentions further the attainment of goals.
Reminders

Help us when we’re busy and have high cognitive load

Reminders are low cost and scalable interventions, which can counter the procrastination that arises because of limited attention (Madrian 2014). Reminders can come in many forms (e.g. verbal/sound, letter, SMS, etc). The timing and mode of reminders is particularly important. Soman and Cheema (2011) used visual reminders to improve savings among low income labourers in India. When the envelope with earmarked savings had a photo of their children on it, savings were 15 per cent more than when an unmarked envelope was used. In the US, including a blank sticky note to prompt patients to write down their appointment date for a colonoscopy made them more likely to attend (Madrian et al. 2012); and in Mozambique, urban HIV patients who received SMS reminders to take their medicine and attend doctor’s appointments were significantly more likely to stay on the treatment and live longer (see Social and behavioural sciences team 2016).

Commitment devices

Help us when we’re tempted

Commitment devices can help people to stick to their preferred plans when short-term benefits are tempting. Much of the work in this area has been done with financial savings (see Ashraf et al. 2006). The website www.stickk.com makes use of the commitment device theory and allow users to define a goal, pick a timeline to accomplish it, and put something at stake (such as money or their reputation) to help users stick to their goals. While it is based on sound behavioural economic theory, there is currently no available evidence to support its efficacy.

Social accountability

Helps us when we’re tempted

This is a type of commitment device which requires your commitments to be visible to a third party or parties, in order to support and/or evaluate your progress towards your goal. Research suggests that there may be an enhanced capacity to stick to a plan if other people are checking to make sure you are doing what you said you would do. This is regularly used in the fitness and weight-loss industries. However, according to several studies, telling people your goals can actually make them less likely to happen, by creating a premature sense of completing the goal, which can interfere with the plans required to actually complete it. This may be due to something called ‘social reality’; when your goal is acknowledged, you receive a rush of ‘reward hormones’, and in turn feel less motivated to actually go out and achieve the goal (Gollwitzer et al. 2009; Hillman 2014). Talking about your goal may also increase negative pressure, which may not be useful. Use this strategy in moderation!
**Temptation bundling**

**Helps us when we’re tempted**

This is the idea that if you tie an activity you are trying to do (but may wish to avoid) with an activity that you love to do, you may have increased success in enacting your plans. The term ‘temptation bundling’ was coined by Milkman and colleagues, who used it to bundle the “should” behaviour of exercise, with the “want” experience of exciting audiobooks. The 2013 study found that people encouraged to restrict audiobook enjoyment to the gym visited the gym 51 per cent more frequently than control participants, although effects declined over time.

**Use defaults**

**Helps us when we’re busy and have high cognitive load**

We know that setting effective defaults is a powerful behavioural tool for policymakers (see BETA’s Guidance Note on ‘Harnessing the power of defaults’). Defaults can also be used to help you to stick to a plan. For example, a savings goal may be more likely to be met if you set up a default transfer of money on a regular basis to your savings account. Default systems that already exist can help you achieve your goals without having to think about them regularly. Use them if you can!
References


