



Behavioral Insights and Public Policy

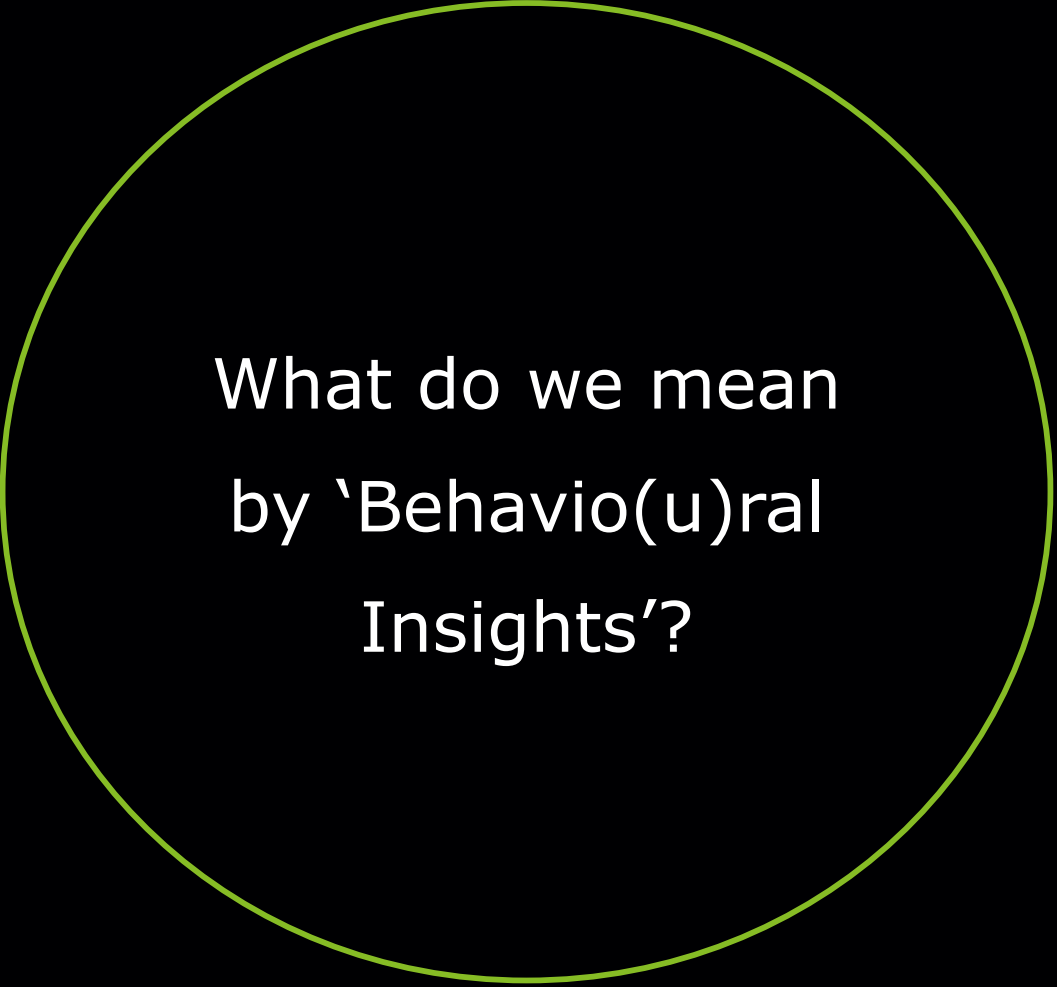
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Topic
Introduction –
What do we mean by 'behavioral insights'?
Foundations of Human Behavior and our Framework
Applying BI to Tax Administration

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What do you think
of when you hear
the words
'Behavio(u)ral
Insights?



What do we mean
by 'Behavio(u)ral
Insights'?



Behavioral Insights uses principles from the behavioral sciences such as psychology, neuroscience, and behavioral economics to understand how individuals **absorb, process, and react to information** and applies this to **design practical policies and interventions** with human behavior in mind.



Foundations of
Human Behavior:
Individual
Social
Environmental

Behavioral Insights Framework

Individual Factors

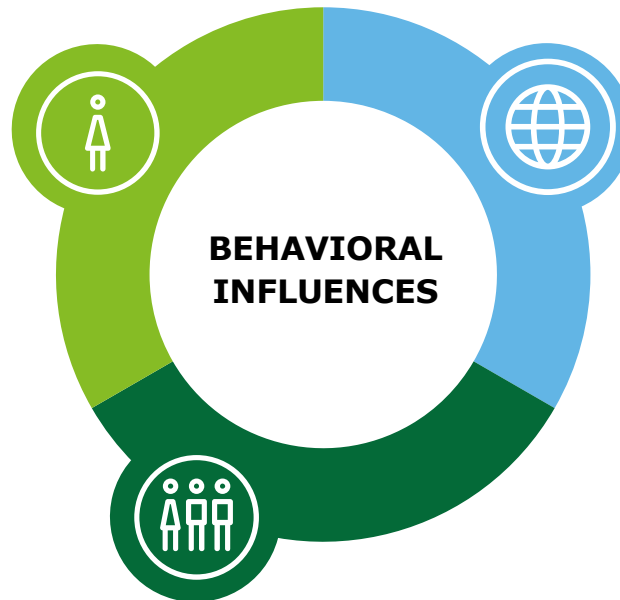
Human decision-making is based on both deliberate and automatic modes of information processing. These processes can be harnessed to make compliance easier.

Environmental and Design Factors

Because most information processing is automatic, our behavior is largely shaped by contextual factors and cues in the environment.

Individual Concepts

- Cognitive Load
- **Self-image**
- Fast vs. Slow Processing
- Heuristics and Biases
- Intention and Commitment
- Rewards and Penalties
- Time Distortion



Environmental and Design Concepts

- **Choice Architecture**
- Feedback and Reminders
- Framing and Priming
- Salience
- Simplification
- Timing

Social Factors

How people act and think often depends on the actions of those around them. Most people make efforts to conform to social norms and expectations.

Social Concepts

- Messenger Effects
- Reciprocity
- **Social Norms**



Applying these to
Tax administration

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Let's start on the filing journey....

- Reduce cognitive load and/or make it less scary to get started: We are with you, are empathetic
- for those with credits as well as payments

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File in an accurate, timely manner

- Cognitive Load - autofill
- Social Norms/ comparisons (honesty and accuracy, correcting myths)
- Well timed alerts (fitness apps etc.)

Social Norms Example: Appeals to Social Norms May Increase Honest Behaviors



New Mexico Dept. of Workforce Solutions

1. Did you work during the reporting period listed above?
This includes [Full-Time](#), [Part-Time](#), [Temporary Work](#), [Self Employment](#), or [Military Employment](#).

2. During this reporting period:
Were you offered employment?
Did you quit a job?
Were you discharged from work?
Were you laid off due to business conditions?

3. For the week shown above, how many hours did you work?
How many hours did you report to us?

4. During this reporting period:
Were you physically able or available to work 3 or more days of your regular work week if a job was available?
Did you meet [work search requirements](#)?

5. Are you attending [school full-time](#)? (If you are a full time student and are on a [scheduled break](#), then answer 'Yes')?

Reminder
9 out of 10 people in Bernalillo County report their earnings accurately. Please report all information accurately. If you worked between 2/24/2013 and 3/2/2013, please ensure you report these earnings.

[Edit Responses](#) [Continue](#)

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Appeals to social norms and other behavioral insights helped the State of New Mexico **reduce net improper payments by 75%** year-over-year due to reduced improper reporting and quick recovery

Channels:

Defaults

- Social Norm
- How much time saved

Choice Architecture Example: Default Options



Opt-Out Organ Donation

Organ Donation Wales

Make time to talk about your decision

Register or amend your decision


After 1 December 2015, if you have not recorded an organ donation decision (opt in or opt out), you will be treated as having no objection to donating any of your organs.



NO,
I do not want to donate my organs

Making organ donation the default option has proven to be a significant driver of number of people registered as organ donors. Donation rates typically exceed 90% in opt-out countries and fail to reach even 15% in opt-in countries.

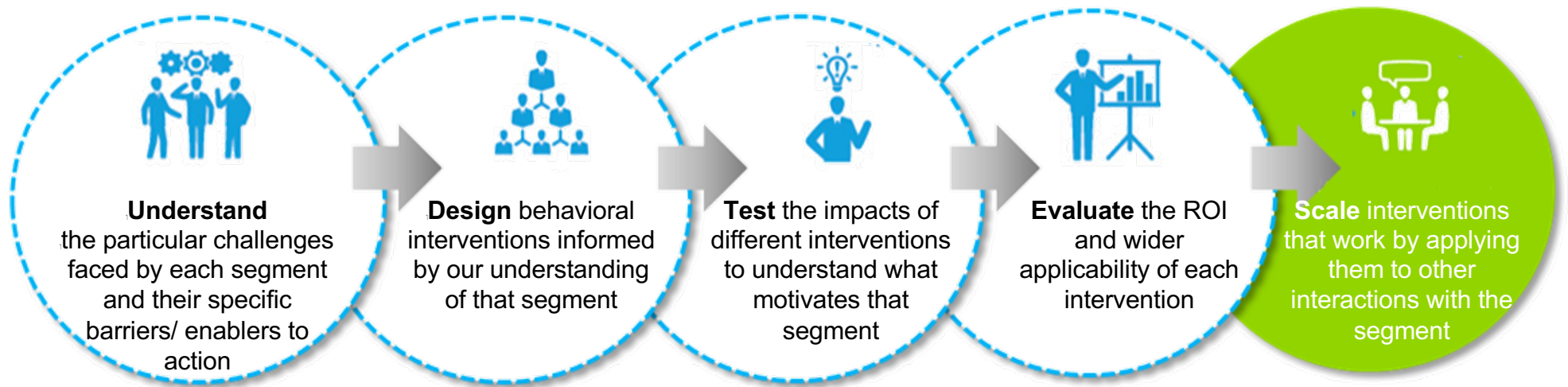
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Our approach
to applying BI

Deloitte's Behavioral Insights Methodology

Behavioral Insights projects typically follow a five-step process from problem definition to final evaluation. Though this process is described linearly, it is more often iterative.



Understand the problem and behaviors within the population of interest

Identify BI principles relevant to the behavior

Design and implement the intervention or treatment

Test and evaluate the intervention for broader implementation using Randomized Control Trials (RCTs) or quasi-experimental studies