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The sentence that can save Government $45 million
How behavioral insights can improve program effectiveness and reduce costs

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by Shrupti Shah

This article is the first of a six-part series describing inexpensive, simple solutions to some of society's most seemingly intractable problems. These solutions don't involve billion-dollar investments or comprehensive tax reform. Instead, they're based on behavioral insights that seek to explain the way we make decisions, whether consciously or unconsciously.

Tight budgets mean times are changing for agencies. A recent memorandum from the White House,[1] calls on agencies to deploy two new and interesting strategies to improve program performance and reduce costs. It urges agencies to use "rapid, iterative experimentation" and apply behavioral insights.

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Behavioral insights are lessons from the study of how people think and make decisions. For example, people don't like being too different to the norm.[2] Similarly, if they are given a default choice, they often stick with it.[3] Also, real time feedback can help people adjust their choices for the better.[4]

If these strategies don't sound too useful, think again. The UK equivalent of the IRS, Her Majesty's Revenue and Customs experimented with the phrasing and design of letters to encourage tax debtors to pay the taxes they owed. They developed different texts and formats and sent each to a random sample of 140,000 debtors and compared the results to the original letter format.

They found that letters which included text such as "9 out of 10 people in Exeter pay their taxes on time" outperformed the control group letters by around 15 percentage points[5] (83% from 68%). Though simple, the sentence works because people don't want to be in a minority that does not pay taxes on time.

They estimated that if the most successful letters were sent to all customers, and the tax collector resource freed up were used to bring in other uncollected tax debts, it would generate $45 million of extra revenue annually — as well as advancing over $240 million of cash flow by approximately six weeks each year.

The U.S. Treasury Department also has similar plans. They will be experimenting with the text and format of letters to individuals with delinquent debt. In their study they will use behavioral insights in order to design the alternate letter and test the effectiveness of the new letter against an older version using a randomized control trial.

1 OMB M-13-17: Next Steps in the Evidence and Innovation Agenda: http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-17.pdf.

2 Robert B. Caldini, *Influence: The Psychology of Persuasion* (Harper Collins, 1993).

3 Scott Halpern, Peter Ubel and David Asch, "Harnessing the Power of Default Options to Improve Healthcare," *New England Journal of Medicine* (357(13), 2007), 1340-4.

4 Cass Sunstein and Richard Thaler, "Nudge" (Yale University Press, 2008).

5 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/60537/Behaviour-Change-Insight-Team-Annual-Update_acc.pdf.

from data to impact
helping agencies harness data to transform government effectiveness

Behavioral insights can also bring real improvements to program beyond letters and communications. Some other examples include:

- Massachusetts General Hospital increased the consumption of water in their cafeteria by 25% by making the placement of the water more prominent and earlier in a diner's choice. Structuring the choices available to customers and playing to the fact that most opt for the easiest option encouraged this shift towards healthier choices.[6]

In this series of six articles, we explore the potential of behavioral insights — how they can be used by government agencies to further objectives around more responsible financial behavior, environmental protection, transportation safety and improved health. These are not the only possible applications — but we hope that by reading about these, you are inspired to think about how the techniques can be deployed in your agency.

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- The City of Garden Grove, a Californian town, installed electronic signs that reduced speeding by 14%. The signs showed the legal limit next to the drivers' speed, allowing them to react in the moment to the feedback and self-police.[7]

- Opower is a company that is helping reduce domestic energy use by 2–4%. Though this sounds small, in the scope of America's massive energy consumption it can add up to savings of millions of kilowatt hours. They analyze individual energy consumption data and present it in a way that allows consumers to see how their own use compares to others and recognizes energy efficient behavior, taking advantage of our desire to be part of the norm and rewarded.[8]

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6 Susan Barraclough, Douglas E Levy, Jason Riis, Lillian Sonnenberg, Anne N. Thorndike, "a 2-Phase Labeling and Choice Architecture Intervention to Improve Healthy Food and Beverage Choices" *American Journal of Public Health*. 2012: 102:527-533.

7 Thomas Goetz, "Harnessing the Power of Feedback Loops", *Wired* (June 11, 2011), http://wired.com/magazine/2011/06/ff_feedbackloop/all/1.

8 Opower, "Measurement and Verification Reports" http://opower.com/company/library/verfication-reports; H. Alcott, "Social Norms and Energy Conservation," *Journal of Public Economics*; I. Ayers, S Raseman and A. Shih, "Evidence from Two Large Field Experiments that Peer Comparison Feedback Can Reduce Residential Energy Usage," NBER Working Paper Series, Working Paper 15386, 2009; and Chris Ivanov, "Measurement and Verification report of Opower Energy Efficiency Pilot Program," Power Systems Engineering (July 28, 2010) http://Opower.com/uploads/library/file/14/power_systems_engineering.pdf.