Behavioral Economics and Human Services

Emily Schmitt
Office of Planning, Research and Evaluation
Administration for Children and Families
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Two Views of Human Behavior

Traditional view (neoclassical economics):

- Well-informed
- Stable preferences
- Perfect self-control
- Good at processing information
- Consistently makes decisions to maximize well-being



Behavioral view (behavioral economics):

- Limited cognitive capacity
- Mental shortcuts
- Choice overload
- Imperfect self-control
- Procrastination
- Small factors can influence big decisions







What is Behavioral Economics?

- Many public policies and programs are designed based on a traditional economic model of human behavior.
- Traditional economics models presume individuals are calculated and unemotional decision makers who always use all available information to make the best decisions and maximize their well-being.
- Behavioral economics is a mix of psychology and economics that challenges the "traditional" or neoclassical economics view of human behavior.
- Behavioral economics provides a more realistic representation of human behavior.





What is Behavioral Economics?

- Experimental evidence shows that humans often act in ways that deviate from what would be predicted by neoclassical economics, and, moreover, that these deviations are systematic and predictable.
- Program and policy designers can leverage these insights about human behavior to improve program performance.





Illustrative Behavioral Economics Principles

People can only pay attention to and understand a limited amount of information at a given time – limited cognition, limited attention



People give more weight to the present than the future – psychological distance, present bias, procrastination



Small factors can have an outsized impact – channel factors, hassle factors



People are influenced by how they see themselves and others – identity, social influence



People are more motivated by losses than by gains – loss aversion







Psychology of Scarcity

Research into the psychology of scarcity shows that the
pressure of negotiating life under conditions of poverty can
place a particularly high toll on cognitive resources, as people
often need to make many trade-offs to manage their lives with
limited financial resources







BIAS Interventions

- Increasing child support collections
 - Increasing collection of owed monthly child support payments (Franklin and Cuyahoga Counties, Ohio) and increasing payments made before wage withholding begins (Cuyahoga County, Ohio)
- Right-sizing child support orders
 - Increasing modification applications from incarcerated noncustodial parents (Texas, Washington State)
- Improving child care subsidy recertification processes
 - Increasing on-time subsidy renewal (Indiana, Oklahoma)
- > Promoting use of higher quality child care
 - Increasing the number of CCDF voucher recipients who choose QRIS rated child care providers (Indiana)
- Improving engagement
 - Increasing show-up to TANF reengagement appointments (LA)
 - Increasing show-up to Paycheck Plus information meeting (NYC)





BIAS Publications

- "Behavioral Buzz" emails once per quarter
- <u>"Behavioral Economics and Social Policy: Designing Innovative</u>
 <u>Solutions for Programs Supported by the Administration for</u>
 <u>Children and Families"</u> April 2014
- "Taking the First Step: Using Behavioral Economics to Help Incarcerated Parents Apply for Child Support Order Modifications" – September 2014
- "Reminders to Pay: Using Behavioral Economics to Increase Child
 Support Payments" July 2015
- "The Power of Prompts: Using Behavioral Insights to Encourage People to Participate" – coming September 2015
- Reports from other BIAS pilot tests throughout 2015 and 2016
- Final synthesis report coming in late 2016





BIAS Next Generation

- Launching in September 2015
- Build on lessons of BIAS and go beyond BIAS
 - Work with additional ACF programs
 - Move beyond changing communications, greater emphasis on changing the choice architecture of program and policy design
 - Focus on translating findings into practical lessons for human services practitioners





Questions, Comments, Curiosity?

Emily Schmitt

Office of Planning, Research and Evaluation Emily. Schmitt@acf.hhs.gov (202)401-5786



Behavioral Diagnosis and Design

Define

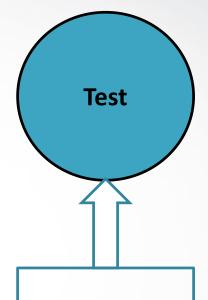
Articulate problems of interest

Diagnose

Gather data for process map and insert bottlenecks

Design

Propose behavioral interventions to address bottlenecks



Conduct Rapid
Cycle Evaluation
using random
assignment



