

# CREATURES OF HABIT?

The Art of Behavioural Change

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## EXECUTIVE SUMMARY

The unintended consequences of the choices we make and the actions we take as individuals lie at the heart of many of the most serious policy challenges facing government. Whether it be in increasing savings, tackling obesity or confronting climate change, if we as individuals do not change the way we behave, these challenges threaten to become insurmountable, with devastating consequences. Each of these three examples represents a long-term challenge that has developed over a period of time. But, in each case, the dangers it presents are becoming imminent and are set to worsen over the coming years if current trends continue.

Government needs to adapt its learned behaviours if it is to be an active actor in helping individuals make the necessary changes. It needs to rely less heavily on the idea of the citizen as rational economic actor and absorb the lessons that behavioural economics has to offer.

However, behavioural economics is dominated, rather off-puttingly, by academic and theoretical language: bounded rationality, the theory of reasoned action, norm activation theory, cognitive bias, heuristics and so on. This has acted as a barrier to uptake of what it has to teach. This is unfortunate because at its heart is a simple and intuitive message: in going about their daily lives, people are guided by impulse, habit and social norms as much as by the availability of information and a desire to minimise cost. Despite the common assumptions of economics in many circumstances, people, it turns out, often aren't actually all that "rational" in their behaviours and decisions. They don't conduct some sort of complicated cost-benefit analysis when faced with a choice. In fact, they are just as likely to do what they have always done, what impulse tells them to do or what their neighbours or friends generally do as to do what is most beneficial. And what's more, they're often well aware that their own actions aren't in their best interests.

Further, people are still less likely to adopt what they identify to be the best course of action if changing their behaviour means negotiating complex, difficult or unclear choices and options. In short, complexity is a turn-off: it garners procrastination and disengagement from the issue at hand. It is this which the Turner Commission on pensions

saving recognised when it recommended harnessing the power of inertia to help us save: faced with tough choices, we will opt to do nothing at all. In the case of pensions this means that, rather than go out and negotiate the bewildering world of AVCs, FSAVCs, SERPS, SIPP and S2Ps, we'll put it off, quite often forever, and certainly for much longer than is ideal to provide more than a paltry income for ourselves in retirement. The solution, promoted by behavioural economists, advocated by Turner and now adopted by the government, is to harness this procrastination and make "doing nothing" the new "doing something". From 2012, those of us who don't already have employer-provided pensions are to be automatically enrolled in private pension schemes through our employers. However, we will be able, should we wish, to opt out of this automatic enrolment, and either revert to doing nothing or make our own decision about which pension we prefer.

So, problem solved then? Well this one perhaps, but the solution comes, as they tend to, with downsides. Automatic enrolment, for example, works best when the default "do nothing" option is generally appropriate to most people, i.e. when there isn't much divergence in preferences. Since people have different appetites for risk and reward, this is hardly the case with pensions, something that points to the need for government to continue to evaluate the success of the automatic enrolment option, and to encourage people to make choices about the appropriateness of the default option for them. Second, while default options represented a solution in the case of pensions, in many areas it simply isn't a viable option – automatic enrolment in gyms, for example, wouldn't ensure that anyone actually went to an aerobics class and would be very costly to the public purse. Fortunately, a wide variety of other policy options and tools are available which may be appropriate and applicable in the face of other challenges. Third, and more problematically, automatic enrolment really is only a politically palatable option in relation to circumstances in which people don't really mind if government decides what is good for them and makes their decision for them. Some argue that a general approach to policy-managing behaviour in this way is naked paternalism (only somewhat mitigated by the opt-out). Extending the approach beyond pensions might therefore draw "nanny-state" criticisms in many other fields, particularly where public opinion does not recognise or support the need for change.



But are behavioural economics and the solutions it implies inherently paternalistic? For centuries, governments and people have recognised that one of their key objectives is to resolve situations in which the self-interested actions of individuals result in clear and direct harm to others – what economists refer to as externalities. Indeed, many of government’s most successful strategies to foster behaviour change have involved highlighting situations in which direct harm has resulted from what we might have initially considered to be personal choices. Despite their clear legitimacy, even these interventions do not pass without accusations of the “nanny-state” (the smoking ban, justified on the grounds that smoking in public places causes harm to others, is the most high-profile recent example).

While preventing direct harm to others may be widely regarded as legitimate, the idea that certain actions should be discouraged if they have an indirectly damaging impact is, inevitably, more contentious. Liberals have always been wary of the tendency for the state to pursue paternalist policies, where government uses policy to direct people to what it thinks are the “right” courses of action regardless of whether current behaviour carries social implications. Consequently, this is not usually seen as a legitimate basis for policy.

Behavioural economics sits somewhere between these two. It acknowledges not only that people do not act in their own self-interest, but also that they themselves recognise this fact. We know that we should get round to setting up that pension, and on retirement we’ll wish we had, but for very human reasons we don’t. In such situations, there is a case for government action to augment individual freedom, helping us to do what we want to but can’t do, rather than to constrain it. In short, paternalism restricts freedom, but policies that recognise behavioural traits, it could be argued, increase it. Where the effect of such internally inconsistent behaviour also imposes substantial costs on society, the government is surely not acting in a paternalistic manner in addressing it.

Generally, then, legitimate interventionist policy rests on two pillars: the traditional argument that individual actions carry social costs and the argument that individual actions carry consequences for the individual further down the track, which they themselves recognise. Climate change is a good example of policy intervention

justified primarily on the grounds of social costs, while policies addressing obesity and savings policy draw strongly on both future personal welfare and social welfare concerns. In areas of policy where the insights of behavioural economics are most pertinent, apparently interventionist policies seem less paternalistic than they might at first appear. The reason is that what characterises behaviour in certain cases is impulsive action in spite of one’s “better judgement”.

A number of significant developments have occurred in recent times to make government interventions that influence individual behaviours more palatable. First, over the last decade, the New Labour mantra of rights and responsibilities has been widely accepted and adopted. We repeatedly voted in a government with an agenda that seeks to inform us about what is good for us and has adopted policies which seek to change the way we behave – parenting classes being a prominent example.

Second, and more importantly, many of the major policy challenges of twenty-first-century politics stem from individual actions that the individuals themselves recognise as not being in their best interests. The severity of the resulting societal problems (the pensions “crisis”, healthy eating and the NHS, addiction and cigarettes) suggests that we, as individuals, need to change our behaviours. This, and the fact that people recognise their actions as not being optimal, adds to the justification for intervention and points the way to the most effective policy solutions.

For example, the obesity “crisis” will not be solved unless we as individuals give up sedentary lifestyles that, by and large, we know are damaging to our health. Policy therefore needs to offer to assist people in changing their desire to eat more healthily and take more exercise. If individuals fail to adapt their behaviours in this regard, the public health challenges will become insurmountable.

There are also lessons for tackling the problem of climate change: carbon emissions will not be reduced unless individuals choose to alter the way they behave – be it in using their cars less, not flying so often, turning off lights in their homes or reducing their waste. In this case, there remains a substantial policy challenge in tackling the externality of CO<sub>2</sub> emissions by ensuring that carbon is appropriately priced. But



such policies are likely to be insufficient to change behaviour on their own, given ingrained habits and social norms, at least without punitive carbon pricing.

Whether government should intervene is one question, but quite how it should do so is another. The traditional response of policymakers seeking to alter individual behaviours has been to rely on market-based policy tools – offering financial incentives or disincentives (grants, taxes, tax relief) and tackling informational barriers that prevent change, and, if these tools yield insufficient results, reaching for the regulatory or legislative hammer. In part, this reliance on policies which manipulate external factors of cost, effort and information has reflected the perception of the limits of the line of acceptable intervention, but more importantly it has reflected an embedded understanding that man can be conceived of as a rational economic actor. If people are “rational” in their decision processes, using financial levers and informational strategies should be enough to alter behaviour. However, people’s actions are not as responsive to these tools as they might be. This is not to suggest that traditional financial and informational levers are obsolete. Far from it in fact: they remain the foundation of policies that tackle social problems by influencing behaviour. Rather, it is to suggest that in some areas financial incentives are a necessary but insufficient condition to effect behavioural change. In order to be effective, policy sometimes needs to go beyond the traditional levers, and the insights of behavioural economics point the way to complementary approaches.

Behavioural economics combines learning from the disciplines of psychology and sociology with traditional neoclassical economic models, and offers insights into the impact of habits, emotions, cognitive capabilities, cultural attitudes and social norms in influencing individual behaviours. Behavioural economics suggests that the rational actor model of behaviour is, in some circumstances, inappropriate when thinking about how people make decisions.

For example, one common finding in behavioural economics is that people heavily discount rewards that are available some time in the future, reaching instead for more immediate gratification. Another area in which this new science sheds light is that of “loss aversion”, an internal tendency which means that people place more weight on losing

what they already have than on potential gains. This phenomenon systematically distorts individuals’ abilities to make what might be perceived as “rational” judgements based on a strictly mathematical comparison of costs and benefits. Behavioural economics also explores how individual actions are conditioned by social norms and emotional responses, and how the example set by society at large or by our peers has substantial influence over how individuals choose to behave.

This paper seeks to highlight the potential of behavioural economics to provide insights for policymakers in analysing problems associated with individual behaviours and finding appropriate policy solutions and interventions to tackle them. It does so by examining behavioural change theory from an economic perspective and focuses on three key drivers of behaviours: external factors (the financial and effort costs well known by policymakers), internal factors (habits and cognitive processes) and social factors (societal norms and cultural attitudes). The latter two categories are less well understood and considered by policymakers.

For each of the three areas, we have identified a number of policy initiatives, both in the UK and abroad, which have taken account of these drivers, either by design or by chance:

- We identify policies that address external barriers to behavioural change by providing financial incentives and disincentives, and by reducing and increasing effort costs associated with the relevant action.
- We also consider policies to address internal barriers, including those that attempt to engender desirable habits at a young age and those that influence cognitive processes by framing and simplifying information, challenging loss aversion and simulating future situations.
- Finally, we consider policies which seek to cultivate new or make use of existing social norms, for example through social marketing, highlighting norms or making use of public commitments.

As already discussed, behavioural economics shows us that, in many cases, complexity garners procrastination and highlights the importance of simplifying and framing information. We provide a simplified but practical “framework” of drivers and options which can be used by policymakers to help identify the key influences on behaviour. In so doing, we necessarily simplify a complex science and isolate particularly important factors. The framework offers a useful diagnostic tool with which to consider drivers of behaviour. It is intended to work as a prompt or reminder to policymakers of the broad range of policy levers available to induce people to alter their behaviour, rather than offering an all-encompassing solution. To any given policy problem, there will be a myriad of contributing factors, and the framework will not provide solutions to them all. Rather, it seeks to reinforce the understanding that there are important drivers, both internal and societal, which all too often go unrecognised. The generic version of this framework is reproduced at the end of this summary (Figure 1).

Finally, in the last chapter of this paper, we return to three big policy challenges that call for substantial changes in individual behaviour: saving for retirement, tackling obesity and finding a solution to climate change. The chapter outlines the behavioural elements within each policy sphere that have not yet been tackled by policy in a systematic way. As anticipated, an awareness of traditional techniques has led to over-reliance on financial, effort and informational-based policy tools in tackling these issues. In the pension reforms suggested by the Turner Commission, we have recently seen policymakers beginning to recognise the relevance of internal factors. In the policy areas on which we focus, we highlight the gaps to which a systematic application of the insights of behavioural economics points, as avenues for further fruitful investigation.

Slowly, the insights of behavioural economists are filtering through to the UK policy agenda: the Department of the Environment (Defra) has a dedicated research programme which seeks to apply behavioural change theories to encourage pro-environmental behaviour, and officials in the Department of Health (DoH) have recognised the value of social marketing, a policy tool which draws on much behavioural change theory, in changing attitudes to obesity and other health concerns, and have issued some guidance on behavioural change.

Equally, the Strategy Unit within the Cabinet Office has published papers on behavioural change from both an individual and a social perspective, and the Environment Agency has published a paper in conjunction with the New Economics Foundation. But awareness of these efforts and, more importantly, practical adoption of the insights to which they point seem to have remained patchy and insufficient. In the face of such mammoth challenges, this must change.

Behavioural economics offers many “big insights”. The challenge now is to get policymakers to confront their own inertia and recognise the power of these ideas across the whole spectrum of policy areas that require modification of individual actions, from climate change to anti-social behaviour. These lessons, and an approach which recognises the wider role of internal and social influences on behaviour, need to be adopted, and not simply in a few corners of Whitehall. Throughout the country, in town halls and council offices, policymakers continue to operate with one hand tied behind their backs: relying mainly on traditional policy instruments to influence behaviours. The insights of behavioural economics need to be coherently, consistently and systematically considered and analysed in all areas of policy development. Policymakers, like the rest of us, are creatures of habit. Efforts to change those policymaking habits, and to inculcate a new understanding of behavioural change, are needed. This paper seeks to inform, simplify and frame the insights of behavioural economics to do just that.

## CHAPTER 1: THE NEED TO CHANGE BEHAVIOUR

### INDIVIDUAL BEHAVIOUR AND MAJOR POLICY CHALLENGES

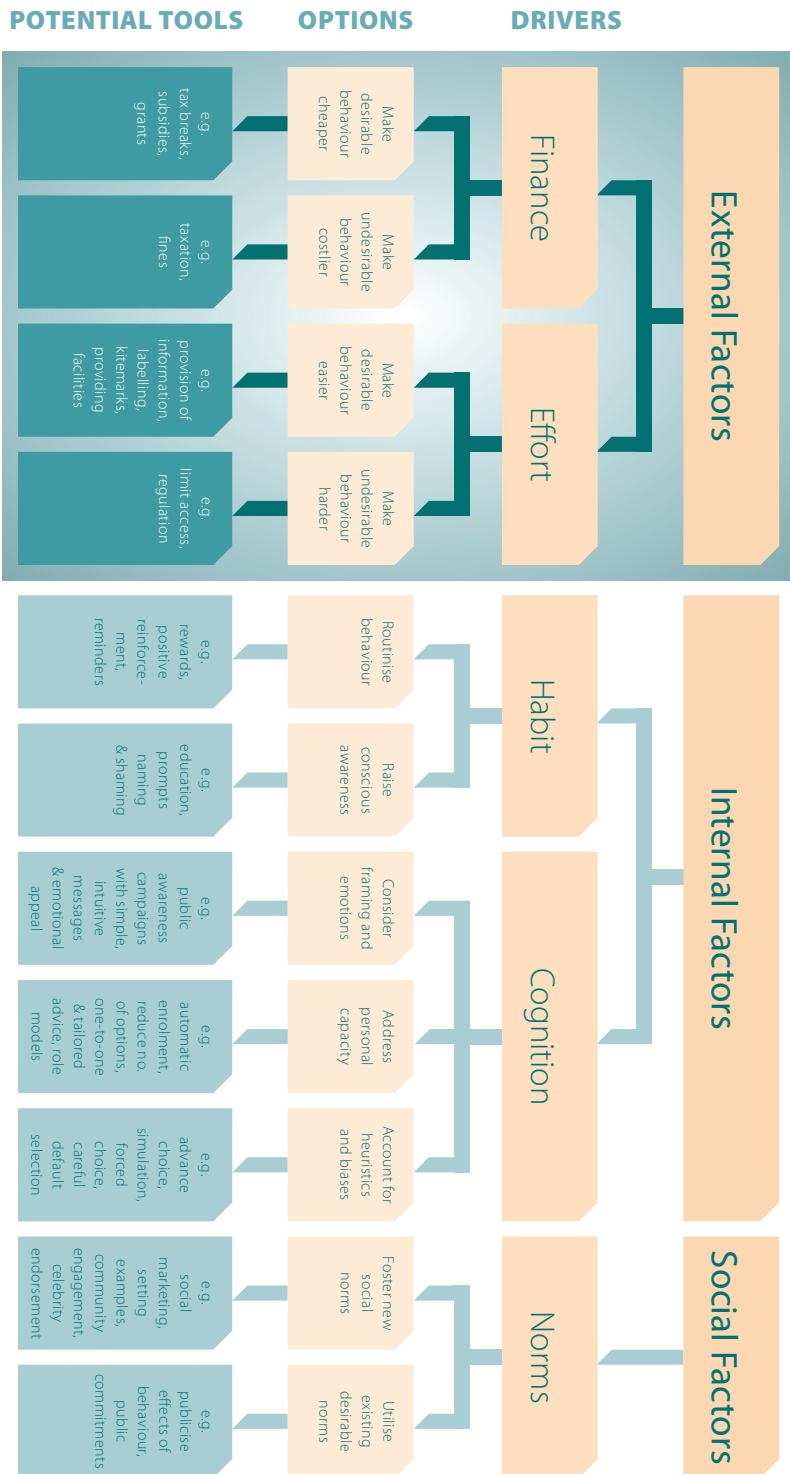
The unintended consequences of our individual decisions and behaviours lie at the heart of many of the most serious policy challenges facing government today. When it comes to increasing savings, tackling obesity or confronting climate change, it is imperative that we as individuals change the way we behave. If we do not, these challenges threaten to become insurmountable, and to have devastating consequences for individuals and for society at large. Each of these challenges has developed over a long period of time and is set to worsen over the coming years if current trends continue. Tackling them is becoming ever more pressing.

With respect to savings, rising debt combined with an ageing population means that people working today need to save far more for their retirement than they do currently. In the first quarter of 2007 the UK's household savings rate fell to its lowest level since 1960,<sup>1</sup> while personal debts have risen to record levels, albeit with assets rising markedly in value. Consequently, people are increasingly vulnerable to rises in interest rates and to financial repercussions from, for example, the US credit crunch. Combined with an ageing population, this has serious consequences for future wellbeing: people are not saving enough for an adequate income in retirement and the state will be unable to afford to support them at the living standards to which they are accustomed. The Turner Commission on pensions, established in 2002, anticipates that government will play a reduced role in pension provision in the future, and, in a prevailing context in which millions of people are undersaving in private pension schemes,<sup>2</sup> has argued that something must be done to ensure that tomorrow's pensioners are able to rely on an adequate pension.<sup>3</sup>

1 "UK household savings lowest since early 1960," *Independent*, June 30, 2007.

2 According to a report by Scottish Widows, 45% of workers do not save adequately for their retirement, including 17% who make no provisions at all. Scottish Widows, *The Scottish Widows UK Pensions Report. A Major Assessment of Pension Savings Behaviour* (Edinburgh: Scottish Widows, 2005), 14.

3 Turner et al., *A New Pensions Settlement for the Twenty-First Century: The Second Report of the Pensions Commission* (London: HMSO, 2005), 2.





Over the past 30 years, obesity levels have increased rapidly in the UK. Between 1993 and 2002, obesity rates rose from 13% of men and 16% of women to 22% and 23% respectively. The 2007 Foresight Report predicts that, unless action is taken to reverse this trend, by 2050 some 60% of men, 50% of women and a quarter of children and young people will be obese.<sup>4</sup> In addition to the dire health consequences of obesity for individuals, figures highlight the burden of obesity on public services and the wider economy. Calculations suggest that the costs of obesity to the health service will be around £3.6 billion by 2010 (compared to £500 million in 1998)<sup>5</sup> and that, when reduced productivity owing to lost workdays is accounted for, the potential cost of obesity may reach £45 billion a year by 2050.<sup>6</sup> In October 2007, such projections led the health secretary, Alan Johnson, to compare the scale of the crisis to that of climate change, and to call for widespread action to tackle it.<sup>7</sup>

Finally, there is little need to rehearse the arguments with respect to climate change (now widely acknowledged as representing a policy challenge on an unprecedented scale), or the catastrophic consequences, both environmental and social, that will result from it if it goes on unchecked. In 2006, the government-commissioned Stern Review warned that rising sea levels could leave 200 million people permanently displaced, that up to 40% of species would face extinction by the middle of the century and, in the worst-case scenario, that there could occur a reduction in global consumption equivalent to 20% now and in the future.<sup>8</sup> Indisputably, cutting emissions to mitigate the threat of global warming relies, in part, on individuals seeking to reduce their own carbon footprints. Public awareness of the problem has certainly increased. Some 82% of respondents to a 2007 Ipsos MORI survey said they were “concerned” about climate change, and 70% agreed with the statement that “[i]f there is no change in the

world, we will soon experience a major environmental crisis.”<sup>9</sup> There is growing concern, however, that awareness has not readily translated into action at an individual level, and indeed, even traditional policy levers, such as stronger financial incentives and regulation, remain to be fully exploited by government in this context. But even then, behavioural economics, as we shall see, warns us that simply having the right incentives may not be sufficient to change behaviours.

In each of the three policy challenges discussed, there exists what can be described as an attitude-behaviour gap. People know that they should save more for retirement, but fail to do so. People accept that they should eat healthier foods and take more exercise, but do not. And people understand that their behaviours are damaging to the environment, but they resist altering their lifestyles in a pro-environmental way. In such situations, there is a case for government action in ways that seek to augment individual freedom, helping us to do what we want to but can't do, rather than to constrain it.

#### BEYOND THE RATIONAL MAN: WIDER DRIVERS OF BEHAVIOUR

That individuals should change their behaviour in these three areas is little disputed (with the limited exceptions of climate-change deniers or extreme libertarians) and government has long attempted to intervene to encourage us to do so. Its approach has tended to focus on levers such as the provision of information in order to facilitate the public in making “informed choices”, tax incentives to internalise social costs and, ultimately, regulation, to restrict our ability to choose behaviours deemed unacceptable. The reasons for government's focus on external drivers to individual action may be many: perhaps reflecting a view about the limits of legitimate intervention or public acceptability; perhaps reflecting either limited knowledge of, or disregard for, behavioural change theories; or perhaps simply reflecting that policymakers are, like the rest of us, creatures of habit and have come to rely on tried and tested mechanisms associated with the dominant model of decision-making.

What is more, these methods are heavily grounded in the classical economic model of “rational economic man”, which has informed economic thinking throughout the twentieth century, and which

4 Government Office for Science, *Foresight Report: Tackling Obesity: Future Choices – Summary of the Key Messages* (London: HMSO, 2007).

5 Government Office for Science, *Foresight Report: Tackling Obesity: Future Choices* (London: HMSO, 2007).

6 Ibid.

7 BBC News, “Obesity ‘as bad as climate risk,’” October 14, 2007: <http://news.bbc.co.uk/1/hi/health/7043639.stm>.

8 Nicholas Stern, *The Economics of Climate Change: The Stern Review*. Executive Summary: [http://www.hm-treasury.gov.uk/independent\\_reviews/stern\\_review\\_economics\\_climate\\_change/stern\\_review\\_report.cfm](http://www.hm-treasury.gov.uk/independent_reviews/stern_review_economics_climate_change/stern_review_report.cfm)

9 Phil Downing and Joe Ballantyne, *Tipping Point or Turning Point? Social Marketing and Climate Change* (London: Ipsos MORI Social Research Institute, 2007), 13.



operates on the presumption that the behaviour and choices of individuals can be modelled as if individuals are rational maximisers of self-interest, making considered decisions, based on the financial resources and information available to them. Tim Jackson, in his review of consumer behaviour and behavioural change with respect to sustainable consumption, argues that the rational choice model guides much of existing policy, and that this is in large part because the rational choice model is “so widespread and so deeply entrenched in the institutions and structures of modern (Western) society, that it tends to have an immediate familiarity”.<sup>10</sup> To be clear, economists have never believed that people are truly rational actors, who conduct some sort of complicated cost-benefit analysis when faced with a choice, but rather that people tend to act as if they do this analysis. Therefore, modelling behaviour on the presumption of rationality can provide a good approximation of how people will behave and the choices they will make in a wide range of circumstances. However, in some policy realms, economists and non-economists alike are increasingly questioning the appropriateness of the rational model. There has been growing scepticism in the past 30 years about whether classical economic theory is sufficient to be able accurately to reflect exhibited human behaviour. Evidence from, in particular, behavioural economists, has demonstrated there exist many instances where the predictions of the rational choice model are not played out either in real markets or academic experiments.

Behavioural economics, which combines insights from the disciplines of psychology and sociology with traditional economic models, has been the biggest innovation in economic thinking in recent years. Originating in the 1960s, the theory developed when psychologists began to benchmark their cognitive models of decision-making against economic models of rational behaviour. They discovered that the predictions of the rational choice model of economic decision-making sometimes bore little resemblance to reality. A paper published by Daniel Kahneman and Amos Tversky in 1979 is widely seen as the origin of the science of behavioural economics. It looked at how people handle uncertain rewards and risks and came to be widely cited in the ensuing decades. The authors argued that the ways in which alternatives are framed – not simply their relative value – heavily

influence the decisions people make. In 2002, Kahneman was awarded the Nobel Prize for Economic Sciences, in recognition of the profound impact of this work on both economics and psychology.<sup>11</sup>

In the words of behavioural economist Daniel Read:

Behavioural economics differs from that of economics in that it does not make assumptions about what consumers do, but rather observes and models them based on those observations. In particular, behavioural economists do not assume rationality, but test it. It turns out that actors do not generally behave like *Homo economicus*, but rather like what Herbert Smith (1985) called *Homo psychologicus*. They ignore important decision factors, put undue weight on some factors relative to others, plan to do the right thing but fail to follow through with those plans, they are more sure about their decisions and beliefs than they should be, they trust others more than they should and they even fail to do simple calculations that could solve important problems. The predictions of the economic model, and the solutions arising from that model, therefore constitute an incomplete basis for deciding how to help consumers make the right decisions.<sup>12</sup>

In short, while rationality obviously plays a role in our choices, the findings of behavioural economics reveal citizens and consumers to be motivated by a far more complex array of changing personal preferences, ingrained habits and social norms. And yet, the policy instruments utilised by government continue to draw heavily on the rational man model – indeed commonly assuming not only that the dominant factor in people’s actions is rationality, but that they *are* in fact rational and will respond in a rational manner to market-based levers.

### THE EXTENT AND SCOPE OF GOVERNMENT INTERVENTION

Of course any discussion of the influences on behaviour and how to effect change raises contentious questions regarding the appropriate role for government in fostering such behavioural change, and is a

<sup>10</sup> Tim Jackson, *Motivating Sustainable Consumption* (Guildford: University of Surrey Centre of Environmental Strategy, 2005), 29.

<sup>11</sup> Daniel Kahneman and Amos Tversky, “Prospect Theory: Decision-making Under Risk,” *Econometrica* XLVII (1979), 263–91.

<sup>12</sup> Daniel Read, “Behavioural Economics: Implications for Customer Decision Making in the Market for Advice.” Report for the FSA (unpublished, n.d.), 5.



topic which has occupied politicians, commentators and philosophers for millennia. Government actions which are perceived as overly interventionist arouse criticisms that state controls on individual agency are devaluing citizens' autonomy, effectively creating a "nanny-state" which presumes to know better than do individuals what is good for them. This is indicative of a complex relationship between the why and how of intervention and the extent to which any given intervention will be considered publicly acceptable (let alone popular).

In terms of the justification for intervention, there is a relative consensus that in some circumstances governments can, and indeed ought, justifiably to intervene in a way that restricts individual autonomy in order to prevent the direct harm of one individual by another. Indeed, many of government's most successful strategies to foster behavioural change have involved highlighting situations in which direct harm has resulted from what we might initially have considered to be personal choices. Examples of this include campaigns to tackle drink-driving and passive smoking, though, in the latter example at least, intervention has only recently become widely accepted.

While preventing direct (particularly physical) harm to others may be widely regarded as legitimate, the idea that certain actions should be discouraged if they have an indirectly damaging impact – for example, where the harm is social rather than personal, financial rather than physical, or cross-border or intergenerational – is, inevitably, more contentious. Where government seeks to manipulate personal behaviours based on a justification of preventing harm-to-society or harm-to-oneself, cries about the "nanny-state" are more readily forthcoming, seen for example when the state has sought to teach people how to be better parents or to penalise them financially for driving environmentally damaging cars.

The justification for interventionist policy rests on two pillars: the traditional argument that individual actions carry social costs and the argument that individual actions carry consequences for the individual further down the track. Climate change is a good example of policy intervention justified primarily on the grounds of social costs, while policies addressing obesity and savings policy draw strongly on both future personal welfare and social welfare concerns. In areas of policy where the insights of behavioural economics are most pertinent,

apparently interventionist policies seem less paternalistic than they might at first appear. The reason is that what characterises behaviour in certain cases is impulsive action in spite of one's "better judgement". In short, paternalism restricts freedom, but policies that recognise behavioural traits, it could be argued, increase it.

In an era of rights and responsibilities and in the face of gargantuan challenges such as climate change and obesity, the limits of acceptable intervention may well be shifting. Freeing people to make better choices for themselves is an important element of this change. The public has repeatedly voted in a government which has sought to influence problem behaviours based not only on the harm that they do to others, but also the harm that they do to society at large and to individuals themselves. The government seeks openly to encourage people to adopt positive lifestyle choices, and campaigns for people to adapt their behaviour in areas such as smoking, sexual health and parenting. Indeed, the government's focus on rights and responsibilities seeks often to justify intervention intended to change individual behaviours by creating an explicit social contract between the citizen and the state. The focus of New Labour is as much on the responsibilities of people to act appropriately as on their freedom to do as they please. People are increasingly regarded as personally accountable for their problem behaviours and are expected to make responsible choices to avoid them. As such, it is argued that those who eat too much, fail to take enough exercise or do not save enough for the future are not living up to their part of the bargain, and subsequently have only themselves to blame for the circumstances in which they find themselves.

Indeed, in the face of the escalating costs of healthcare provision, the idea that individuals should take responsibility for their own behaviours is on the rise. The Treasury, for example, has recently concluded that "increased self-care" on the part of individuals could lead to NHS savings of around £30 billion by 2022/3.<sup>13</sup> It is even argued by some that those who knowingly risk their health by, for example, smoking or refusing to lose weight should subsequently take responsibility for these choices and cover the costs of their own healthcare. Although this stance is highly controversial, a recent poll of nearly 700 NHS

13 Derek Wanless, *Securing Our Future Health: Taking a Long-Term View* (London: HM Treasury, 2002), 50 and 80.



hospital doctors found that 41% believed that alcoholics should not be permitted liver transplants on the NHS and 37% that the taxpayer should not have to fund heart bypasses for smokers; only 59% believed that obese patients should receive orthopaedic treatments such as hip and knee replacements free of charge.<sup>14</sup>

Where a degree of personal responsibility for solving a problem is accepted, government intervention is more likely to be perceived as legitimate in addressing, or enabling us to address, the gap between our attitudes and our actions. In the three policy challenges we discuss in this paper, people broadly accept that they ought to save more for their retirement, that they ought to eat healthily and exercise more and that they ought to behave in an environmentally friendly way. In each, therefore, there is room for manoeuvre from government.

As well as questions concerning responsibility for behaviours, the target of an intervention can also have an impact on public acceptability, and may go some way to explaining the reliance on traditional policy tools. Government interventions to correct shortcomings in the market which encourage behaviour that is not socially ideal (though, interestingly, it may be rational) are often regarded as publicly acceptable. While in many instances the “invisible hand” of the market will be sufficient to optimise both individual self-interest and the interests of society as a whole, it is also the case that, as the prominent behavioural economist David Laibson puts it, “competitive markets do not eliminate bad outcomes”.<sup>15</sup> That is to say that complex markets function partly through exploiting the naivety of customers, meaning market mechanisms frequently work in the interests of the producer, rather than those of the consumer. The fact is that naive or “irrational” consumers tend to be more profitable customers; banks, for example, make large profits from hidden charges that more financially literate customers are capable of avoiding. Enlightening consumers as to the true risks and benefits of products often has a “devaluation” effect: advising people that long-haul flights are environmentally unsustainable leads to losses for airline companies, but few opportunities for other firms to gain. Likewise, informing consumers of the potentially detrimental impact of your food product on health is hardly a recipe for strong

14 Sarah Hall, “Smokers and Alcoholics ‘Should Pay For Operations’,” *Guardian*, June 29, 2006.

15 David Laibson, “Sticky Biases and the Curse of Education.” Public Lecture at the London School of Economics, November 21, 2007.

sales. Often, therefore, few incentives exist for producers to educate the public.

The three policy problems we focused on earlier in this chapter all require people to limit their consumption in some way, either by spending less and saving money, buying less unhealthy food, or cutting back on energy use. These changes in behaviour are clearly not in the interests of certain producers and government has, therefore, particularly in view of the seriousness of the challenges ahead, intervened and taken leadership in encouraging change – most often invoking the mantra of informed choice, providing financial incentives to encourage preferential behaviour and tackling abuses of market power by regulation. Essentially, the policy mechanisms utilised have attempted to address outcomes which are not considered socially ideal by manipulating traditional market instruments in the interests of both our personal and social welfare. In these cases, the government is seeking to act as a counterbalance to a market which encourages us to consume even when it may not be in our best interest to do so. In the modern world, where we are bombarded by pro-consumption messages, government interventions and campaigns sometimes provide the only form of counterweight and the public do not necessarily object. A recent poll by Ipsos MORI highlights the extent to which the public is willing to accept government intervention in the face of key policy challenges: some 70% of respondents agreed or strongly agreed that “the government should take the lead in combating climate change, even if it means using the law to change people’s behaviour”<sup>16</sup> (though whether the response would have been the same had the question asked been about “your behaviour” is perhaps open to question).

The tools utilised by the market to influence our choices are not limited to information provision, regulation and pricing. Commercial marketing techniques, for example, make use of the influence that internal factors such as emotions and habits, as well as social factors such as norms, have on decision-making. Yet, with only a few, and relatively recent, exceptions, there appears to exist an imagined line in terms of legitimate government intervention which stops at influencing external factors in traditional ways (primarily, tax and information levers), and over which policymakers are reluctant to

16 Downing and Ballantyne, *Tipping Point or Turning Point?*, 26.



step. In part, this is undoubtedly because, in the context of the state as intervener, the image of a government actively engaged in modifying social norms of behaviour or attempting to manipulate our internal psychological processes easily conjures up images of an Orwellian “big brother” or Soviet-style propaganda machine. We argue, however, that while such concerns rightly point to the importance of transparency and accountability in any government attempts to make use of such drivers of behaviour, it does not, in and of itself, constitute a reason for government to disregard or ignore mechanisms utilised by private organisations, against whom it is effectively competing for influence. What’s more, where individual intentions are undermined by impulse, harnessing behavioural insights can actually prevent people from being manipulated. If we accept (as most do) that government has a legitimate role to play in changing the behaviours of rational economic actors by tackling market failures, then it appears to follow that an acceptance of other behavioural influences in decision-making legitimises a corresponding role for government in seeking to alter these influences to change behaviours that individuals themselves recognise as being damaging to both themselves and society.

Indeed, awareness of such tools is already on the up: social marketing, for example, which seeks to apply commercial marketing techniques in pursuit of social ends, is an increasingly common term in and around Whitehall, particularly in the DoH, and signals the peripheral influence of behavioural economics on the radar of policymakers. In Defra, a programme of research has sought to synthesise and disseminate the lessons from theories of behaviours, behavioural economics and practice in regard to encouraging pro-environmental behaviours. Likewise, in the Cabinet Office publications have examined behavioural change at both the personal and cultural level.<sup>17</sup> At the more local level too, programmes such as the Neighbourhood Renewal Fund, New Deal for Communities and Housing Action Trusts seek to adopt a more holistic policy prescription which takes account of wider drivers of behaviour rather than focusing only on traditional market-based external levers.

17 David Halpern and Clive Bates, *Personal Responsibility and Changing Behaviour: The State of Knowledge and its Implications for Public Policy* (London: The Strategy Unit, 2004), and David Knott et al., *Achieving Culture Change: A Policy Framework* (London: The Strategy Unit, 2008).

Such policy prescriptions also chime with the better regulation agenda which, in theory at least, means that the regulatory approach is not chosen as the default first, or even second, choice. From the perspective of consumer choice, the legislative or regulatory approach can sometimes be seen as the most paternalistic option available – restricting people’s freedom to act as they choose. Too often, the typical policy response, where policies aimed at costs and information provision have failed to yield results, will favour tougher and tighter regulation and/or introduce legislative change to compel individuals to adopt more positive behaviours. Yet, as our discussions of the appropriateness of government intervention at the start of this paper highlighted, methods involving coercion can generate public unease; people, by and large, do not like explicitly to be told what they can or cannot do. Even the case of banning inefficient light bulbs did not pass without some criticism from consumers who felt that their preferred option was being removed unjustifiably. In the case of pensions policy, the reluctance of politicians until recently to introduce a compulsory element has reflected deep-seated concerns amongst voters about the draconian “nanny-state”. The lessons of behavioural change suggest that there is a middle ground between “the rock of paternalism and the hard place of liberalism”<sup>18</sup> and that, before reaching for the legislative hammer, government has a responsibility to consider all the potential options for altering behaviour, rather than simply turning to regulation when the most commonly used tools of information provision or price adjustments fail to bring about the intended changes.

### THE TRADITIONAL POLICY RESPONSE

But despite all this, as the prime minister’s foreword to the recently published cross-government obesity strategy implies, the focus remains heavily on traditional mechanisms which rest on a presumption of people as rational actors:

The responsibility of government, and wider society, is to make sure that individuals and families have access to the opportunities they want and the information they need in order to make healthy choices and exercise greater control over their health and their lives. This is what government can do, and it is what will make

18 Richard Reeves, “The Naughty Nation,” *New Statesman*, February 14, 2008.

a real and sustainable difference to all of us in trying to make healthy choices and lead a healthy life. ... And as well as ensuring people have healthy options we must ensure that all of us have access to the information and evidence we need to adopt healthier lifestyles. ... We must increase the opportunities we all have to make healthy choices around the exercise we take and the food we eat.<sup>19</sup>

As the words of the Prime Minister suggest, in each of the three policy areas we have discussed, a view of individuals as rational economic agents has led to the conclusion that behavioural change can be effected by providing consumers with all the necessary information with which to make decisions and by reducing the costs or increasing the benefits of the option that society deems 'preferable'. Evidence suggests, however, that progress in changing behaviours in each of these areas has been limited, and that policies are failing to persuade people to take the necessary steps to reverse damaging trends.

Action to tackle the contribution of individuals to climate change has combined campaigns that inform consumers of more environmentally sustainable options, and the personal financial benefits of adopting these, with tougher regulation. For example, the Energy Saving Trust provides simple strategies for reducing energy consumption, and Energy Performance Certificates which provide information about the efficiency of homes and data on their recent bills are to be included in Home Information Packs. Equally, "smart" gas and electricity meters are being phased in over the next 10 years, providing consumers with more detailed analysis of their energy consumption and targets for reduction.<sup>20</sup> In highlighting the need to reduce CO<sub>2</sub> emissions, the Direct.gov website now allows users to assess the environmental impact of their activities with a "CO<sub>2</sub> calculator", and indicates areas which could be improved.<sup>21</sup> In regulatory terms, changes to building regulations in 2006 mean that all new houses built in England and Wales should be 70% more energy-efficient than those built before 1990.<sup>22</sup> The government has also targeted energy suppliers, pushing for "higher efficiency standards for the products we use at home and

at work", and has sought to ease the planning laws and provide grants to encourage micro-generation.<sup>23</sup>

Despite such efforts, and while public awareness of climate change has increased, people's consumption patterns have largely failed to respond. According to Defra, UK households were responsible for the release of 43 million tonnes of CO<sub>2</sub> into the atmosphere in 2004 – up on 40 million tonnes in 2000 – and equivalent to the emissions of industry and transport combined.<sup>24</sup> The gap between awareness and action is also reflected in attitudes to transportation. Between 1996 and 2004, there was a 17% increase in journeys travelled by car and a 2007 Ipsos MORI survey found that 70% of respondents did not intend to cut back on flying in the coming year, despite 44% saying they were concerned by the environmental damage caused by air travel.<sup>25</sup> It is clear that more needs to be done by government to set the correct incentives framework within which people make their decisions. Reports suggest that the government may now be considering utilising tougher regulation and alternative market mechanisms. For example, the sale of inefficient light bulbs will be phased out and consideration is being given to tradable "personal carbon allowances" as an alternative to taxation.<sup>26</sup> However, behavioural economics warns us that such incentives may not be as effective as they could be without wider efforts to alter individual behaviour, by considering the broader drivers of that behaviour.

With respect to obesity, policy initiatives have focused on providing information about food in order both to counter the increased energy intake of modern consumers and to encourage people to take more exercise to tackle the marked decline in the physicality of most people's lifestyles. With respect to the former, the DoH has introduced policy initiatives to promote healthy eating for children, for example in offering schools guidance on food and nutrition,<sup>27</sup> and increased spending on its five-a-day information campaign. The Food Standards Agency (FSA)

19 DoH, *Healthy Weight, Healthy Lives: A Cross-Government Strategy for England* (London: HMSO, 2008).

20 DTI, *Meeting the Energy Challenge: A White Paper on Energy* (London: HMSO, 2007), 57.

21 Directgov, "Act On CO<sub>2</sub> Calculator": <http://actonco2.direct.gov.uk/index.html>.

22 DTI, *Meeting the Energy Challenge*, 71.

23 *Ibid.*, 57.

24 *Ibid.*, 29.

25 Downing and Ballantyne, *Tipping Point or Turning Point?*, 38.

26 Simon Roberts and Joshua Thumim, *A Rough Guide to Individual Carbon Trading: The Ideas, the Issues and the Next Steps* (London: Defra, 2006).

27 DoH, Ministry of Agriculture, Fisheries and Food, "Guidance on Food and Nutrition in Primary Teacher Training," December 16, 1998: <http://www.nutrition.org.uk/upload/G%20Food%20Primary.pdf>.

has a remit to supply clear guidelines on options for healthier eating<sup>28</sup> and has focused on encouraging retailers to adopt clear “traffic-light labelling” to highlight the nutritional content of products.<sup>29</sup> Efforts to increase physical activity have focused on the accessibility and quality of facilities, with the DoH and the Department for Culture, Media and Sport (DCMS) channelling large amounts of funding into Sport Action Zones, refurbishing school facilities and recruiting Sports Volunteers, and more recently introducing cycling proficiency initiatives.

Yet, in response to the persistence of rising obesity rates, the government has begun to acknowledge that current strategies are not having the desired effect; the DoH has already stated that a time may come when “the Government must be prepared to act and intervene more forcefully and more directly”<sup>30</sup> and the government-commissioned Foresight Report acknowledged that an effective response must also tackle the wider impact of the UK’s “obesogenic” culture.<sup>31</sup> Most recently, and more encouragingly, the cross-government obesity strategy, which was launched in January 2008 and which aims to help people maintain a healthy weight and live healthier lives, despite, in the main, focusing on traditional initiatives – requiring more exercise in schools, providing clear guidance and information, building pro-activity environments, and creating incentives (including financial) to encourage better health choices – also recognises the value of large-scale marketing initiatives and personalised advice programmes, and acknowledges the role of social and psychological factors as drivers of behaviour.<sup>32</sup>

Finally, with respect to pensions, and savings more generally, common explanations for the persistence of the problem often highlight cost and information barriers, and the government’s response has traditionally focused on these barriers by employing financial incentives and improving information. With respect to financial incentives, the proposed Savings Gateway Scheme will seek

to encourage low-income households to save by offering government funds to match personal savings pound for pound to a total of £750, which can be withdrawn when the account matures. As part of the pilot project, participants were also offered basic financial education in the form of a CD-Rom and tailored courses from learndirect. Educative and informational provision is also incorporated into the Financial Services Authority’s (FSA) *Learning Money Matters* programme, which encourages teachers to integrate financial education into the curriculum, and aims to reach 1.8 million children.<sup>33</sup> In addition, the *Red Box* programme was launched in 2002 to provide an educational resource aimed at improving understanding of tax and public spending. Child Trust Funds (CTFs), which were introduced to ensure that all children would have savings at the age of 18, also attempted to promote financial literacy and saving by way of financial incentives, providing new parents with two instalments of £250 and permitting them to contribute further up to £1,200 a year free of tax. Three different types of account are provided, offering different levels of risk, and a website provides a simple explanation of these options and the process for opening an account. From the age of 16, young people will take control of their accounts (although they will not be able to withdraw the money for two years) and will be assisted in making their investment decisions by financial education in the school curriculum.

In comparison to this focus on financial incentives and information provision, the policy suggestions of the Turner Commission, which have been broadly adopted by the government, acknowledge that there are significant barriers to savings behaviour beyond informational and financial concerns. With respect to private pension provision, the Commission has advocated both a bigger role for employers in their employees’ pension savings and also that all employees be automatically enrolled in a private pension scheme. In order to maintain personal freedom, the Commission proposed that employees could opt out of the scheme. Importantly, the proposals recognised that people will tend to procrastinate in the face of complexity and effort. If the recommendations, particularly automatic enrolment, are adopted (currently anticipated sometime around 2012) this will represent perhaps the first large-scale adoption of a policy which explicitly recognises the insights offered by behavioural economics. It therefore

28 Food Standards Agency, “About Us”: <http://www.food.gov.uk/aboutus/>.

29 Food Standards Agency, “Retailers, Manufacturers and Service Providers that Use Signpost Labelling,” July 19, 2007: <http://www.food.gov.uk/foodlabelling/signposting/retailtraffic>.

30 Cited by Foresight, “Trends and Drivers of Obesity: A Literature Review for the Foresight Project on Obesity”: [http://www.foresight.gov.uk/Obesity/Outputs/Literature\\_Review/Literature\\_review.htm](http://www.foresight.gov.uk/Obesity/Outputs/Literature_Review/Literature_review.htm).

31 Government Office for Science, *Tackling Obesities: Future Choices – Summary of the Key Messages*.

32 DoH, *Healthy Weight, Healthy Lives*.

33 Financial Service Authority, *Financial Capability: The Government’s Long-Term Approach* (London: HMSO, 2007).



provides us with a prominent example with which to illustrate the pertinence of those lessons and to which we will return in chapter 5.

We argue here that, in the face of challenges as great as obesity and climate change, the government can do more, and that if it wants to make a “real and sustainable difference” it must consider more systematically and holistically the wider drivers of behaviour. Policymakers must adapt their thinking alongside economists to ensure they have a full understanding of what drives people’s behaviour and decisions. In so doing, there is a great deal to learn from the approach of behavioural economists which, by adding a consideration of psychological and sociological components to an awareness of economic decision-making, can enhance understanding about the ways in which individuals make choices, and therefore the levers which can be employed to influence those choices. As On Amir has suggested: “Policymakers are unlikely to invest the time translating behavioural research into its policy implications.”<sup>34</sup> They are, like the rest of us, creatures of habit and their reliance on certain tools of the trade and rules of thumb in policy design comes as no surprise, particularly to behavioural economists, and especially in the context of widespread adoption of market-based ideas. This paper seeks to challenge those habits and improve the policymaking process by providing a schematic framework through which policymakers can be encouraged to consider more systematically the wider drivers of behaviour. It is to the wider drivers of behaviour that we now turn in chapter 2.

## SUMMARY OF KEY MESSAGES

- Addressing the major policy challenges of today and the future, such as tackling climate change, obesity and the shortfall in personal savings, requires that individuals radically alter their current behaviour.
- The traditional policy response in these areas has, to date, relied most heavily on market-based tools such as financial incentives, information provision and regulation, all of which are grounded in the rational actor model.

- Behavioural economics combines insights from the disciplines of psychology and sociology with traditional economic models and seeks to test rather than assume rationality.
- Behavioural economics demonstrates how people are motivated by a complex array of personal preferences, ingrained habits and social norms; it also demonstrates that people are often impulsive, and do not think about the future in the way that “rational man” is supposed to, while simultaneously recognising that this would be to their benefit.
- Government has long had a role in influencing individual behaviours, particularly where markets fail to promote socially beneficial outcomes. Behavioural economics opens up the possibility that government may have a role in helping people not to do what the government thinks they should do, but what they themselves know they should and want to do.
- As such, behavioural insights point to policy prescriptions that can supplement the traditional instruments of regulation and incentive-setting to ensure optimal outcomes for society.

34 On Amir et al., “Behavioural Economics, Psychology, and Public Policy,” *Marketing Letters. Special Issue for the Sixth Choice Symposium* (2005).





## CHAPTER 2: THE WIDER DRIVERS OF BEHAVIOUR

It is evident that government interventions to date in our three policy areas have struggled to resolve the policy problems at which they are aimed; recent data on obesity levels, savings rates and energy consumption suggest that negative trends might be accelerating, rather than reversing. Although the failure to effect wholesale behavioural change will be, in part, due to delivery issues and resource constraints, as well as the weight of countervailing market pressures, we argue that another major constraint is the failure of policymakers to fully consider the whole range of influences on individual behaviours.

The large body of research from behavioural economics, drawing on the disciplines of psychology and sociology, suggests that individual actions are influenced by a much wider range of factors than allowed for by the “rational economic man” model, and that these influences will not necessarily be overcome through manipulation of well-used informational and financial levers. While these two factors are still important, and may even be prerequisites of behavioural change, they alone are not sufficient to explain our behaviours. Yet this failure of policy accurately to predict individual responses is not so much down to inaccuracies of the original paradigm (that is, people are not simply irrational), but the fact that judgements on rationality are too narrowly focused: while financial calculations obviously matter, individuals also approach each decision with a complex set of preconceived preferences, generated through, for example, habits or social interaction. The narrow model of “rational economic man” neglects the means by which original preferences are generated; it disregards the fact that individual actions are conditioned by social norms and emotional responses, and that human judgements are often inconsistent and may be systematically distorted. In short, the motivations behind individual choices and actions are rarely as straightforward as policymakers anticipate.

This chapter will consider the variety of behavioural drivers. We begin with the external factors that influence our choices: the financial resources, incentives and information available. As highlighted in the previous chapter, these elements are well known to policymakers and are the most common target of policy initiatives. Yet, when considered in isolation, external factors are not sufficient to explain individual

responses to choice. We therefore go on to address the more complex psychological and sociological aspects of human behaviour – focusing on both the internal cognitive processes of individuals and then the wider influence of social norms.

### EXTERNAL FACTORS: MONETARY AND EFFORT COSTS

As discussed in the opening chapter, the removal of these external obstacles has traditionally formed the main governmental route to incentivising behavioural change. These policy interventions flow relatively straightforwardly from a consideration of people as rational economic actors. In the context of such an assumption, if behavioural trends which appear to be personally detrimental continue, policymakers might assume that external constraints are acting to curtail the freedom of individuals to choose the option which maximises their utility. For example, so the reasoning would go, if putting money aside for retirement is important for personal welfare, but people fail to do so, then this points to a consideration of factors concerning the affordability of saving, or to a lack of accessible information about options.

Issues of external cost can be divided between simple monetary costs – the relative affordability of certain choices compared to the financial resources consumers have at their disposal – and what we might term transaction or effort costs – the non-monetary demands placed on the consumer. For example, if we wish to persuade people to join a gym, it is not sufficient to focus entirely on the price of membership. We must also ensure that the gym is easily accessible and open at convenient hours – in short, that the cost in terms of effort is not off-putting. To encourage take-up of “desirable” options, government must therefore ensure that these are not only affordable in monetary terms, but also that there are facilitating conditions which enable people to have access to these choices.

Effort costs also include the accessibility or availability of information; if people wish to take steps to save money or protect the environment but do not know how, then it is important to make that information available. In this sense, effort costs might include, for example, the cost of reading a brochure or searching the web for information about a given product. The provision of information is, consequently, a common policy tool. Measures that provide people



with information, and make it readily accessible, lower effort costs – the information does not have to be gathered by the individual but can be easily located, thus making it “cheaper” for a choice to be made that is favoured by government. A label indicating that a product was produced without pesticides, for example, significantly lowers the effort costs of searching for this kind of product.

As well as seeking to reduce costs or incentivise desired behaviour, government has also made use of regulation to alter the context within which individuals make choices, by ensuring that damaging behaviours are either more expensive or more difficult (sometimes impossible) to undertake. This method has been employed to cut back on energy consumption, a recent example being the announcement by the Department for the Environment (Defra) that major retailers would have to phase out the least energy-efficient light bulbs early in 2008.<sup>35</sup> In other words, rather than relying only on encouraging individuals to ensure their lighting is energy-efficient and to switch off lights whenever possible, stricter regulation will simply prevent them from purchasing environmentally unsustainable products. Similarly, the School Food Trust has established food-based standards for school lunches in an effort to tackle childhood obesity.<sup>36</sup>

The regulatory option is often seized upon in response to the failure of traditional informational, financial and effort policies to achieve anticipated results. Behavioural economics suggests, however, that there may be further avenues for exploration before the regulatory option is chosen – that before compelling individuals to act in a certain way, there are factors for consideration that may also be inhibiting change. To identify these wider drivers, we must shift the focus from external factors in behavioural trends, and look instead at the way preferences are generated and choices are taken. To do this, we need to examine both the internal tendencies that affect our actions as individuals, and also the broader social norms that define what we perceive as “acceptable” behaviour.

35 Defra, “Energy Guzzling Light Bulbs Phase Out to Start Next Year,” September 27, 2007: <http://www.defra.gov.uk/news/2007/070927a.htm>.

36 School Food Trust, “A Guide to the Government’s New Food-Based Standards for School Lunches,” April, 2007: [http://www.schoolfoodtrust.org.uk/doc\\_item.asp?DocId=8&DocCatId=9](http://www.schoolfoodtrust.org.uk/doc_item.asp?DocId=8&DocCatId=9).

## INTERNAL FACTORS: HABIT AND COGNITIVE PROCESSES

Behavioural economics has shown that there exist a number of internal factors, such as habitual behaviours, cognitive capabilities and emotional responses, which might interfere with our ability to make strictly calculated rational decisions. The prominent behavioural economist Herbert Simon has shown that human beings operate on the basis of a “bounded rationality” whereby our decision-making processes occur under both time constraints and cognitive limitations.<sup>37</sup> This means that people are simply not capable of processing all the information required to make strictly rational decisions, especially when some of this information concerns events which lie in the (uncertain) future.<sup>38</sup> In reaction to our cognitive incapability in processing and evaluating the multitude of information on the potential consequences of our actions, we have instead developed certain cognitive short cuts to help us cope.

### Habitual behaviours

Much of human behaviour is semi-automised or routinised. Rather than always making active choices (that is, assessing the options and choosing the best one for them), much behaviour results from “lifestyle habits”. These automated activities, exhibited in behaviours such as always selecting one brand of soap, leaving the heating on when nobody is at home, or turning off the lights, can account for vast swathes of a person’s day-to-day activity. In these cases, even where information on the relative costs and benefits of our behaviours is clearly and effectively presented, it may not be sufficient to improve our choices. This is because many of our everyday decision-making does not involve objectively weighing up all the information in order to reach a decision – we are not really consciously making decisions at all.

Behavioural economics, drawing on psychological insights, suggests that rather than being necessarily “irrational”, this reliance on habit and routine in much of our behaviour reflects that individuals will often lack the patience and time repeatedly to reconsider their

37 Herbert Simon, *Models of Man* (New York: John Wiley, 1957), 35.

38 Ibid.



decisions, and that, consequently, habits reduce the cognitive effort needed to function effectively. Moreover, Jackson argues that “this ability for efficient cognitive processing becomes increasingly important in a message-dense environment, such as the modern society in which we live”.<sup>39</sup> He goes on to point out that the very routinisation of everyday behaviours makes them “less visible to rational deliberation, less obvious to understand, and less accessible to policy intervention” and that this may “undermine our best intentions to change”.<sup>40</sup> Consequently, much of our habitual behaviour will be strictly “irrational”: for example, many people regularly leave electrical devices on standby even though this leads to increased energy bills.

Finally, in relation to habits, it is important to note the significance of certain life-transition stages at which already established routines can be broken and new ones formed. These transitions might include leaving school, finding a job, moving house and entering retirement, during which habits, which are reliant on stability, are vulnerable to breakdown as circumstances change.

### Cognitive processes

**Personal capacity:** Although ensuring that information is accessible helps to reduce effort costs, there is a danger that providing more information and options can also decrease people’s sense of efficacy in being able to manage the complexity of information. Too much complexity can mean that decision-making demands excessive effort on the part of the individual, and the response will be to procrastinate and exhibit inertia, as seen in the case of pensions. It is for this reason that information provision which aims to inform people on topics with which they may not be familiar should follow a fairly straightforward set of premises. Indeed, one problem identified by recent research has been the demotivating effects of choice. While consumer choice has been generally perceived as a factor which increases people’s sense of control and subsequently their motivation, the phenomenon of choice overload is increasingly recognised.<sup>41</sup> This is demonstrated by studies on the uptake of 401(k) retirement plans in the US: using data from 800,000 employees, it was found that “other things equal,

every ten funds added was associated with a 1.5% to 2% drop in participation rate”.<sup>42</sup>

Similarly, a study by Levin investigated responses to increasing amounts of environmental information and found that, while the weight of information raised concern about environmental problems, it also induced feelings of greater helplessness about what to do.<sup>43</sup> Too much and bewildering complexity can also result from attempts to simplify issues if messages are not sufficiently clear. Drawing on work done on food labelling, the National Consumer Council found that logos on food labels are currently “more likely to confuse and mislead consumers than inform them”.<sup>44</sup> Effectively, the more kitemarks there are in a field, the less they will help consumers to orientate.

This highlights the value of providing simple, clear and consistent messages. Evidence suggests, for example, that certain techniques of information provision are particularly fruitful in persuading individuals to change their behaviour. Successful education initiatives are generally perceived as convincing, practical and fair. People will respond better to information which defines a credible problem, clearly sets out its aims, and demonstrates that costs and benefits involved are being fairly distributed. Recent government information drives appear to be taking these lessons on board. From financial advice to environmental awareness, there has been an increase in the number of sources offering clear guidance. For example, Child Trust Fund vouchers can be invested in just three different types of account, each offering a different level of risk, and the website provides a simple explanation of these options and the process for opening an account.

The notion of choice overload points to the importance of people’s perceptions about the extent to which they feel in control of, or able to influence, a situation appropriately. People do not tend to respond well to being confused or disorientated (for example, as a result of information overload); they also do not like to feel incompetent or helpless (for example, due to a lack of confidence or self-efficacy, or

39 Jackson, *Motivating Sustainable Consumption*, ix.

40 Ibid.

41 Sheena Iyengar and Mark Lepper, “When Choice is Demotivating: Can One Desire Too Much of a Good Thing?” *Journal of Personality and Social Psychology* 76 (2000), 995–1006.

42 Sheena Iyengar, Wei Jiang and Gur Huberman, “How Much Choice is Too Much? Contributions to 401(k) Retirement Plans.” Pension Research Council Working Paper 2003-10 (2003).

43 G. Levin, “Too Green For Their Own Good,” *Advertising Age* 64 (1993), cited in Jackson, *Motivating Sustainable Consumption*, 112.

44 Food Standards Agency, *Bamboozled, Baffled and Bombarded: Consumer Views on Voluntary Food Labelling* (London: HMSO, 2003), cited in Downing and Ballantyne, *Tipping Point or Turning Point?* 19.



inadequacy). Both of these factors reflect a feeling of being unable to control a situation appropriately. Choosing to do nothing in the face of choice overload reflects a sense of incapability in making an appropriate decision; likewise, people may feel that they do not have enough control over their ability to change their behaviour because of a lack of confidence and self-efficacy, or because their ability to influence a problem is seemingly too remote (for example in the case of climate change).

**Framing and emotions:** It is important to draw a distinction between the basic provision of information about choices and *how* to do something, and the technique of persuasion required to make people *want* to do it. Providing people with information to enable them to make an informed choice is a tool which primarily addresses informational effort costs; however, it is apparent that information and the way it is presented also play a role in encouraging people to want to change their behaviour and in determining the decision they make.

In a 1981 study, Tversky and Kahneman<sup>45</sup> showed that it is not just a case of simplifying information and clarifying messages, but rather that the way in which information pertaining to a choice is framed which can affect the decision that is made. They demonstrated that preferences can be reversed simply by framing a problem in different ways. They conducted a study asking people which treatment they would choose if a rare Asian disease were to spread over the United States. Although the number of survivors in each scenario was identical, choices framed around gains (or numbers of survivors) elicited a “risk-averse” response from participants, while those framed around losses (number of deaths) led to increased “risk-taking”. In short, where the probabilities of each outcome are the same, we would rather gamble to avoid losses and will settle for smaller gains if they are made certain.

People also tend to make different choices depending on how information is “bracketed”. The concept of bracketing refers to the way someone looks at a series of choices, each of which can be considered on its own (narrow bracketing) or seen in the bigger picture, considering different choices together (broad bracketing). According to Daniel Read and his associates, one determinant of how people bracket decisions

is “cognitive inertia”. This means that most people use the bracketing which the situation or other people suggest to them. “If choices come to them one at a time, they will bracket them narrowly, and if choices come to them collectively, they will bracket more broadly.”<sup>46</sup>

This inertia can be harnessed to serve what is determined as socially desirable. Framing the issue of climate change broadly, for example, would seem likely to discourage many people from active efforts to engage in it because it presents it as so daunting a task. If, however, single decisions are framed narrowly, people might be more ready to recycle, use their car less or insulate their home. An information campaign about obesity, in contrast, might focus on the broader implications, since one piece of cake does not do much harm, but taken together, a piece of cake every day does make a difference. After determining which outcome is desirable, policymakers can use the inertia of people and frame problems in a way which makes the desirable choice more palatable.

The Kahneman and Tversky experiment also indicates the impact of affective, or emotional, responses and their ability to sway cognitive deliberation. Its use of questions involving survival and death targeted the emotions of participants and produced discrepancies according to the framing of each scenario. These emotional responses are both innate and powerful; they are “the result of physiological triggers in the body, that are built up from both innate responses and learned behaviours reinforced over the history of the individual life”<sup>47</sup>

The pervasive nature of our emotions and their profound affect on our actions and decisions has long been recognised in marketing. The use of carefully framed information and aesthetically and emotionally appealing associations allows advertisers to link the consumer’s selection of certain products with positive or negative feelings – our emotional reactions can be manipulated to highlight the damaging impact of certain actions. The Department for Transport’s road safety campaign employed this technique to encourage all passengers to wear seatbelts; in 1998, a television advert was aired depicting a car crash in which the unbelted rear seat passenger is thrown forward into

45 Amos Tversky and Daniel Kahneman, “The Framing of Decisions and the Psychology of Choice,” *Science* 211 (1981), 453–8.

46 Daniel Read, George Loewenstein and Matthew Rabin, “Choice Bracketing,” *Journal of Risk and Uncertainty* 19/1 (1999), 188.

47 Jackson, *Motivating Sustainable Consumption*, 37.



the driver – his mother – killing her. The campaign prompted a shift in behaviour: the Transport Research Laboratory recorded an increase in rear seatbelt wearing from 48% in April 1998 to 59% in April 1999.<sup>48</sup>

Our emotional responses are particularly susceptible to the way in which information is presented. This changeable nature of emotions and their powerful impact on preferences also suggests that, contrary to the presumptions of the rational actor model, our preferences cannot be described as stable or well ordered. In failing to address the numerous factors which shape the formation of our preferences, neoclassical economics models assume that preferences are both generated independently by each individual and remain consistent. In fact, individuals themselves do not possess a clear set of preferences. Our long-term intentions are often not reflected in our immediate choices, and emotional responses may skew our objective judgements. Such discrepancies are often not, however, simply arbitrary, but result from heuristics and biases which distort our judgements in systematic and identifiable ways.

**Heuristics and biases:** Following important research by Kahneman and Tversky, much of which is collected in Kahneman, Slovic and Tversky's 1982 book,<sup>49</sup> the role of **heuristics** in human behaviour is increasingly recognised. Heuristics are approximate rules of thumb or educated guesses which we apply when making decisions or judgements that involve complex choices or incomplete information. They are employed as a way of making decisions in a context where the information necessary to make strictly rational decisions is not available or computable by an individual. We tend to assess, for example, the distance of an object by the clarity with which we see it. Since we commonly see closer objects as clearer and objects which are further away as blurry, this is a good way of estimating distance. Taking clarity as an indicator of distance is therefore a heuristic, but might, in certain circumstances, such as in fog or darkness, lead us into error.

Other common examples might include taking price as an indicator of quality or assuming that "bigger is better". Equally, representativeness is a commonly used heuristic, whereby similar appearance is taken as an indicator of commonality between objects. For example, most people assume that they can tell from certain characteristics whether a person works as a librarian or pilot, but will, in so doing, ignore the relative proportions of the population in either role – an important figure in determining the probability of someone holding one profession or the other.<sup>50</sup>

Sometimes, heuristics dissuade people from taking incentives; for example, when the Australian Government offered a free course in social entrepreneurship to its employees, no one signed up. When the course was re-advertised with a fee of AU\$2,500, it received 20 responses.<sup>51</sup> Since people tend to equate the value of a product with its monetary worth, offering things for free can sometimes deter consumers. In this sense people are only partly "rational" and much of their behaviour could be considered "irrational" or emotional from the traditional economic perspective.

These kinds of heuristics can lead to patterns of deviation in judgement when weighing up the costs and benefits of options and so skew our preferences, leading to systematic **biases**. Effectively, these biases systematically distort the "rational" decision-making process, but importantly they tend to do so in predictable and replicable ways. This means that so long as biases are detected, policymakers can adjust policies to take account of their skewing effects. Three of the most prominent biases are examined below: loss aversion, hyperbolic discounting and status quo preferencing.

The idea of **loss aversion** indicates what people are more likely to value when faced with the possibility of a trade-off. According to this theory, potential losses tend to be weighted more heavily than potential gains.<sup>52</sup> Thaler and Benartzi argue that this may help explain low savings rates: "Once households get used to a particular level of

48 The THINK! Road Safety Website, THINK! Seat Belt Campaign: <http://www.thinkroadsafety.gov.uk/campaigns/seatbelts/seatbelts.htm>.

49 Daniel Kahneman et al., *Judgment under Uncertainty: Heuristics & Biases* (Cambridge: Cambridge University Press, 1982).

50 *Ibid.*, 4f.

51 Emma Dawney and Hetan Shah, *Behavioural Economics: Seven Principles for Policymakers* (London: New Economics Foundation, 2005), 11.

52 Matthew Rabin and Richard H. Thaler, "Risk Aversion," *Journal of Economic Perspectives* 15 (2001), 219–32.

disposable income, they tend to view reductions in that level as a loss. Thus, households may be reluctant to increase their contributions to a savings plan because they do not want to experience this cut in take-home pay.<sup>53</sup> This tendency is not only associated with financial behaviour, but is also exhibited in areas such as health; here, messages emphasising the potentially negative consequences of ill health tend to be more effective than those that phrase the benefits in terms of potential gains.<sup>54</sup> People tend to value their existing good health and worry about “losing” it more highly than they value improvements in their health.

Our aversion to losses also strengthens our sense of entitlement. People are therefore likely to place additional value on what they currently possess, particularly when asked to exchange it. An experiment gave half its subjects mugs and asked them the lowest price for which they would sell them. Those without mugs were then asked how much they would pay. Logically, there should have been little difference between buying and selling prices. Yet in fact, the median selling price was \$5.79, while the median buying price was \$2.25 – a ratio of more than two. The difference is that the sellers are “giving up” a mug they “own”, whereas buyers are only assessing the value of their right to have a mug.<sup>55</sup>

The fact that people tend to prefer more immediate gratification and pay-offs to those which will occur later is known as **hyperbolic discounting**. People tend to discount the future too highly, making it more difficult to justify investments or actions that involve future pay-offs.<sup>56</sup> This is obviously a particular obstacle when it comes to promoting saving. For example many people attempt to put money aside for Christmas early in the year. However, as time goes by, this money is often spent on things like summer holidays.<sup>57</sup> People are aware

of the need to save, but tend to be unwilling to defer spending. The behavioural economist Daniel Read refers to “excessive discounting” and suggests that it “may be the clearest violation of the economic theory of rational choice”, since in it, “a reduction in wealth is bought with nothing”.<sup>58</sup>

Discounting is also reflected in the bias in favour of **immediate gratification**, which frequently leads to procrastination – putting off unpleasant tasks. Usually this is either because these tasks constitute an interruption to a settled routine, or it is because they are of particular importance, and appear daunting. The inertia associated with procrastination means people often seek to avoid active decisions. Daniel Read suggests that our tendency to procrastinate is “perhaps the most pervasive (and uncontroversial) human deviation from rationality”.<sup>59</sup> People, he points out, “procrastinate not only in their actions but even in their implementation of plans not to procrastinate”, and cites a 2003 study<sup>60</sup> of savings decisions by US consumers, in which “two-thirds of people believe they are saving too little, one-third of these plan to increase their savings rates within the next two months, and virtually none of them actually do so”.<sup>61</sup> Similarly, Read points to the discrepancy between good intentions and subsequent choice with respect to food, whereby consumers will make an advance choice in favour of healthy options but that, when faced with a restaurant menu, “the desire for healthy food somewhat wanes”,<sup>62</sup> and, ultimately, “we are drawn to exchange immediate benefits for an overall loss.”<sup>63</sup>

Related to our dislike of complexity is a bias towards **favouring the status quo**. This bias is of particular significance when choices are framed around a “default setting” – when we are required to accept or reject a pre-set outcome that is presented to us. Laibson highlights the fact that the default option has an enormous influence on people’s choices; in Sweden, a social security system allowing citizens some degree of choice in the investments of their assets saw as many as

53 Richard H. Thaler and Shlomo Benartzi, “Save More Tomorrow: Using Behavioural Economics to Increase Employee Saving,” *Journal of Political Economy* 112 (2004), 164–87.

54 A.J. Rothman and P. Salovey, “Shaping Perceptions to Motivate Healthy Behavior: The Role of Message Framing,” *Psychological Bulletin* 121 (1997), 3–19 as cited in Halpern and Bates, *Personal Responsibility and Changing Behaviour*, 20.

55 D. Kahneman et al., “Experimental Tests of the Endowment Effect and the Coase Theorem,” *Journal of Political Economy* 98 (1990), 1325–48, cited in Colin F. Camerer and George Loewenstein, “Behavioral Economics: Past, Present, Future” (2002 draft).

56 Daniel Read, *Intertemporal Choice*. LSE Working Paper LSEOR 03.58 (2003).

57 R.H. Strotz, “Myopia and Inconsistency in Dynamic Utility Maximization,” *Review of Economic Studies* 23 (1956), 165–80, cited in Partha Dasgupta and Eric Maskin, *Uncertainty and Hyperbolic Discounting* (Princeton: Princeton University Press, 2004).

58 Read, “Behavioural Economics,” 43.

59 *Ibid.*, 39.

60 James J. Choi et al., “For Better or For Worse: Default Effects and 401(k) Savings Behaviour.” NBER Working Paper 8651 (2003).

61 Read, “Behavioural Economics,” 39.

62 Daniel Read, “Time and the Marketplace,” *Marketing Theory* 7/1 (2007), 60.

63 *Ibid.*, 65.

90% accepting the default fund selected by the government.<sup>64</sup> Laibson suggests that this outcome is due to two key factors: first, the fact that the default option is effectively being “endorsed” by an authoritative institution will sway many people in its favour; second, the complexity of assessing different options, particularly when combined with low levels of financial literacy, means that employees are unwilling to make the effort required by an active decision.

### SOCIAL FACTORS: CULTURAL ATTITUDES AND SOCIAL NORMS

Rational choice theory is also criticised because it tends to downplay the impact of social context on individual behaviour. While we often view an individual’s choice of behaviour as resulting from personal preferences, these are also heavily mediated by observation, social learning, group dynamics and societal expectation. We are influenced by how people around us act and by how we think the people around us think we should act; that is, our decision-making occurs within a collective or social setting. We term these rules and expectations “social norms” and include in this both widespread societal norms and more segmented peer-group norms and attitudes.

The power of social norms stems partly from the fact that they guide our **learned behaviour**. People – particularly children – look to those around them for guidance on how to behave when faced with choice and uncertainty. The impact of parents and peers is especially pronounced; for example, a study at Stanford University monitored a group of children and discovered that 64% of those with overweight parents themselves became overweight, compared with 16% of those with normal-weight parents.<sup>65</sup> The behaviour of strangers also serves a suggestive function. Halpern, following Cialdini, refers to this phenomenon as “social proof”.<sup>66</sup> “For issues as diverse as how to behave in a library or how fast to drive on motorways, the behaviour of others provides us with clues about the prevalent social norms and with evidence about how we should act.”<sup>67</sup> One example cited is the use of canned laughter to signal that a joke is funny. Another is that buskers who have a substantial sum of money in their hat are more

likely to receive further and larger donations as they play. Such ideas are supported by survey data: for example, an Ipsos MORI survey on public attitudes towards climate change concluded that collective action on the environment is particularly important in tackling a sense of inertia which prevents proactive engagement. Over half (54%) of respondents claimed they would try to do more if others did more as well.<sup>68</sup> This sense of reciprocal action for mutual benefit boosts our perception that a request is legitimate and justified.

The choices we take are shaped by a complex interaction between our personal values and expectations, and an awareness of the prevailing societal values and the attitudes of our peers. What we value is partly – perhaps largely – prescribed by our wider culture. This **societal influence** is particularly pervasive since it shapes the intrinsic values which we consciously pursue as well as our subconscious behaviours. In very general terms, as a society we value ideas of reciprocity, responsibility, generosity, loyalty and kindness, and often view corresponding actions as “rewarding”, despite, or even because of, the lack of associated financial reward. For example, there is considerable evidence of altruistic behaviour. Richard Titmuss’s study on trends in blood donation in the UK (where donors voluntarily gave blood) and the US (where donors were paid) revealed that more people in the UK gave blood than in the US. Although its conclusions can be disputed, it argues that the removal of the altruistic element of giving blood in the US in fact deters people from acting.<sup>69</sup>

The importance of **in-group dynamics** is also significant. As is well-recognised by the advertising industry, our behaviour as consumers is dictated by the social connotations we associate with certain products or activities. For example, research by Ofcom into children’s dietary choices cited one mother saying that “people might put Sainsbury’s or Tesco’s own brand crisps in the child’s lunchbox and other children will make fun of them because they haven’t got Walker’s.”<sup>70</sup> In this way, the acquisition of brand-name products becomes associated with belonging and acceptance within peer groups – Freedland estimates

64 David Laibson, “The Psychology of Saving and Investment: Investment for Dummies.” Lionel Robbins Memorial Lecture at the London School of Economics (November 20, 2007).

65 Michelle Brandt, “Children of Obese Parents Face Highest Risk of Being Overweight,” July 8, 2004: [http://www.innovations-report.de/html/berichte/medizin\\_gesundheit/bericht-31026.html](http://www.innovations-report.de/html/berichte/medizin_gesundheit/bericht-31026.html).

66 Robert Cialdini, *Influence: Science and Practice*, 3rd edn (New York: HarperCollins, 1993).

67 Halpern and Bates, *Personal Responsibility and Changing Behaviour*, 28.

68 Ibid., 30.

69 Dawney and Shah, *Behavioural Economics*, 6.

70 Jonathan Freedland, “The Onslaught,” *Guardian*, October 25, 2005.



that “today’s average British child is familiar with up to 400 brand names by the time they reach the age of 10”.<sup>71</sup>

One way of addressing an attitude-behaviour gap might be by making use of social norms which value loyalty, commitment and reciprocity. For example, there exists a norm of **social commitment** which requires us to stand by agreements and fulfil our obligations. Once an individual expresses beliefs or commitments publicly, they exhibit a strong tendency to act in a way that is consistent with these commitments.<sup>72</sup> An experiment demonstrated these, using “staged” crime scenes, in which individuals were asked to “watch over” someone else’s property. Those who had publicly stated they would accept responsibility are more than four times as likely to attempt to prevent a theft than those who had made no such prior commitment.<sup>73</sup> This suggests that verbal or contractual acceptance of a norm can form a powerful tool for behavioural change, and in this way pre-existing norms can be utilised to encourage socially desirable behaviour.

The challenge for policymakers in cultivating new social norms is similar to attempts to address negative habits; when damaging behaviour is commonplace, the norms which underpin it must be challenged, and replaced with those which promote more socially desirable choices. Although social norms develop from a complex interplay of many elements, a more active role for government in determining norms is potentially a significant one. The activity of governing is inextricably bound up with the creation and enforcement of mutually recognised standards and the attitudes and expressions of leaders will impact on norms both through pronouncements and often regulatory or financial policy choices. Sometimes government can act as an early adopter, prioritising the moral standards of one section of the population before it has been generally accepted. More often the government has reacted to or reinforced shifting social norms as they develop. Norms about sexual behaviour and race discrimination are important examples; in neither case can it be said that the state either completely led or completely reacted to changing social norms.

71 Ibid.

72 Cialdini, *Influence: Science and Practice*.

73 Halpern and Bates, *Personal Responsibility and Changing Behaviour*, 19.

## CONCLUSION

In trying to meet the key challenges of public policy, the government has focused too narrowly on the policy prescriptions of classical economics, based on a notion of man as rational. If policymakers are successfully to bring about the behaviour and lifestyle alterations required to tackle the shortfall in personal savings, the effects of obesity or environmentally unsustainable consumption, policy needs to account for *all* the determinants of behaviour. It is awareness of the wider determinants of people’s behaviour that form, this paper argues, the “missing link” in current public policy initiatives.

We have therefore outlined a more holistic analysis of the complex array of factors which influence our choices. These factors include internal traits and tendencies common to human decision-making processes, as well as the way in which individuals operate in the context of wider social norms and societal expectations. Academic literature has attempted to identify the impact of these factors on human behaviour and thus to predict individual responses when faced with choice and uncertainty. We argue that public policy could be made far more effective if it were systematically to follow this example, and were tailored to account for these behavioural tendencies. In the next chapter, we set out examples in which policymakers have incorporated these findings into policies.

## Summary of key messages

- A large body of research from behavioural economics suggests that the traditional rational actor model may, in some situations, be incomplete as a way to think about how individuals make decisions. In particular, decisions about how to act are guided not only by financial and informational influences, but by psychological and sociological factors such as cognitive processes and social norms.
- Human behaviour is influenced by the complex interplay of three key sets of drivers: external factors, such as monetary and non-monetary costs; internal factors, such as cognitive processes and habitual behaviours; and social factors, such as social norms and cultural attitudes.





- An examination of internal factors recognises that cognitive limitations affect our ability to make “rational” decisions; for example, much of everyday behaviour is habitual and routinised rather than the result of active decision-making; equally, cognitive limitations mean that we are incapable of processing too much complex information and rely instead on rules of thumb, and are influenced by emotional appeal and the way information is framed. Finally, decision-making is affected by a number of cognitive biases which systematically distort our decision making.
- An examination of the influence of social factors on human behaviour reveals that our decisions and behaviour are heavily influenced by social norms: by the way those around us act and the way we believe those around us think we should act. Behaviour is also influenced by pervasive societal values such as reciprocity and loyalty.

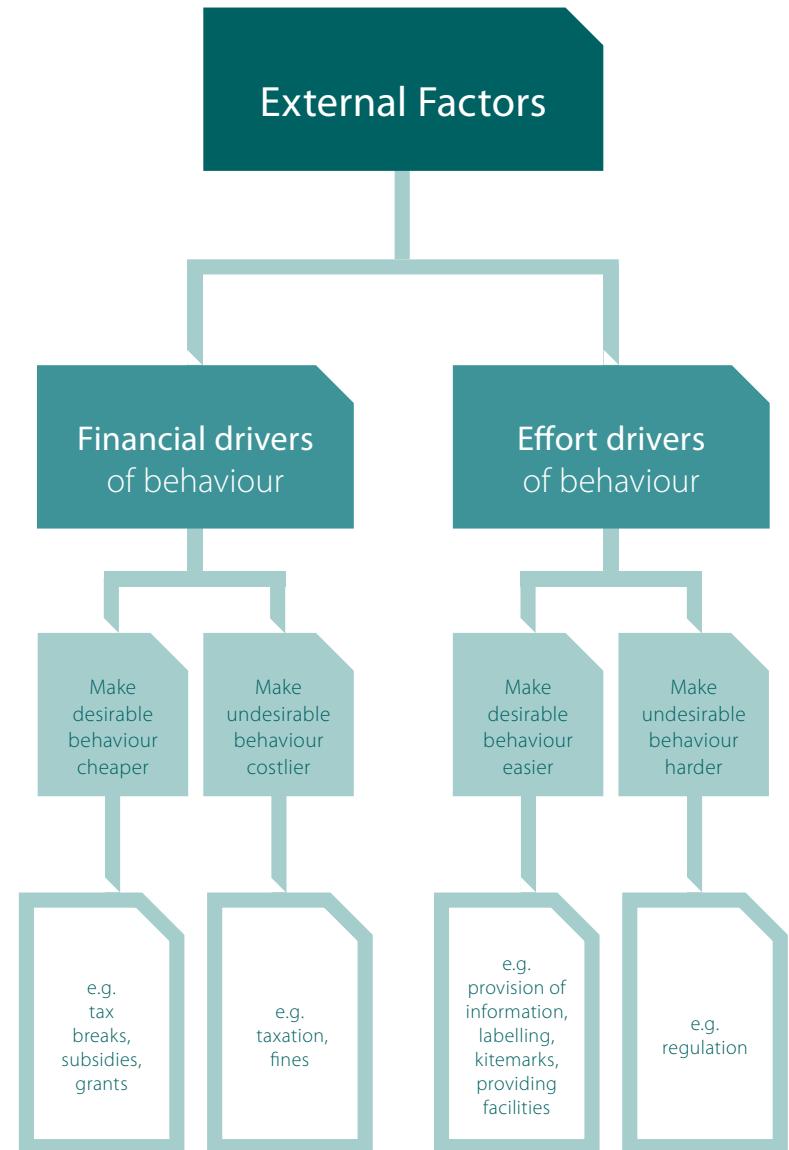


### CHAPTER 3: THE VARIETY OF POLICY MECHANISMS FOR CHANGING BEHAVIOUR

While the impact of internal factors and social norms have not always systematically informed policymaking, there are important examples of policies which have successfully incorporated these elements. Some, such as the US savings plan, *Save More Tomorrow*, seek to challenge individuals' habits and behavioural tendencies. Others, such as the drink-driving or seat-belt wearing campaigns in the UK, have helped to shift society's attitudes and generated new social norms. The most successful policy initiatives may, in fact, need to examine all three elements, addressing social norms, individual behavioural tendencies and external conditions. It is important to bear in mind, however, that to a certain degree these boundaries and distinctions are artificial, and it is not necessary to classify all policy problems and solutions according to these three categories. The categorisation simply offers a useful tool or prompt in thinking about human behaviour.

In this chapter, we discuss some successful examples of behaviour change using a wide variety of approaches. We look at the three areas of focus described in chapter 2 – external factors, internal drivers and social norms – and policies which have successfully targeted these. Each section is accompanied by a diagrammatic representation of elements to consider (Figures 2, 3 and 4).

FIGURE 2



## EXTERNAL FACTORS: POLICIES ADDRESSING MONETARY AND EFFORT COSTS

Many policies aim to alter behaviour by lowering the financial costs of the desired behaviour, thereby making it cheaper in absolute terms, for example by offering tax breaks or providing grants. A tax break example from the UK is given in Box 1 (Example A). Also from the UK, the Warm Front Initiative successfully provided lower-income households with grants to make their homes more energy-efficient. In some instances, monetary costs may be reduced to zero to remove a barrier to take-up; for example, contraceptives are available without charge in the UK. The downside of financial incentives is often what is known as deadweight loss, which refers to the loss of efficiency a tax break can bring. For example, by offering tax exemption to incentivise pension savings, tax relief is given to those people who are already saving. This results in a loss of government revenues and can make this option relatively unattractive. On the other hand, a more personalised system of financial incentives may be complex to administer, making it inefficient.

Another simple policy mechanism is to disincentivise undesirable options by making them absolutely or relatively more expensive. Example B in Box 1 demonstrates this with respect to congestion charging. Similarly, heavy taxes are levied on cigarettes to encourage people to desist from smoking, and recent changes to the UK car tax system have made it more expensive to tax those vehicles that are most environmentally damaging.

### BOX 1: ADDRESSING EXTERNAL FACTORS: FINANCIAL COSTS

#### (A) REDUCING FINANCIAL BARRIERS: ENABLING TAX FREE SAVINGS

The government's innovations in savings policy have sought to tackle perceived problems of affordability and complexity. ISAs replaced earlier tax-favoured savings vehicles (TESSAs and PEPs) in 1999 and now allow individuals to invest up to £7,200 per year, entirely free of tax. Cash – as opposed to share-based – ISAs also allow for easier access to the money. These tax-free and flexible accounts make saving more affordable to those with little capital to invest and who may need access to their savings at short notice. According to the Treasury, one in four people from low-income groups now have an ISA.<sup>a</sup>

#### (B) INCREASING FINANCIAL BARRIERS: LEVYING CONGESTION CHARGES

Following decades of increasing traffic levels and worsening congestion in central London, the London Congestion Charge was introduced in February 2003 in order to deter people from driving into the city. Between 7am and 6pm, all non-exempt vehicles entering the zone had to pay a £5 fee; this was later raised to £8. Failure to pay incurs a fine of £100. The scheme has been generally considered a success, with initial drops in traffic levels of 25%, and was extended to include western areas of the city in 2007. In recent years, vehicle numbers entering the zone have risen after the initial drastic reductions but, in June 2007, a Transport for London (TfL) report concluded that traffic levels were now consistently down 16% on pre-charge levels.<sup>b</sup>

a HM Treasury, Thirteenth Report. Saving and Financial Inclusion. London: HMSO, 2007, 45.

b Transport for London, Central London Congestion Charging. Impacts Monitoring. Fifth Annual Report, July 2007.

As also discussed in chapter 2, policies can be, and often are, targeted at reducing or increasing effort costs to influence behavioural choices. Examples A and B in Box 2 demonstrate policies which aim to reduce effort costs associated with inaccessible information. Other effort costs relate to physical accessibility, which can be reduced to incentivise desirable behaviour. People might, for example, decide to engage in more sporting activities if they do not have to travel far to do so. Example C in Box 2 provides an example with respect to recycling infrastructure. Another means to decrease effort costs is to offer “quick enrolment”. If people want to join a scheme, for example for pension savings, they just have to tick a box and are enrolled. This reduces costs because people do not have to gather information or make a decision between different options.<sup>74</sup> Equally, it may be possible to increase the effort costs associated with an undesirable behaviour – see Example D in Box 2.

74 James J. Choi et al., “Reducing the Complexity Costs of 401(k) Participation Through Quick Enrolment.” NBER Working Paper 11979 (2006).

## BOX 2: ADDRESSING EXTERNAL FACTORS: EFFORT COSTS

### (A) REDUCING FINANCIAL BARRIERS: ENABLING TAX FREE SAVINGS

A form of personalised information is provided by Directgov which provides a CO<sub>2</sub> calculator online with which people can estimate either individual or household consumption.<sup>a</sup> By making it simple to calculate the individual carbon footprint, the cost of seeking information about the individual carbon emission declines significantly.

### (B) REDUCING INFORMATION BARRIERS: ENERGY PERFORMANCE CERTIFICATES

The 2007 Government White Paper, *Meeting the Energy Challenge*, established the introduction of Energy Performance Certificates, which are now a compulsory element in all Home Information Packs. Energy Performance Certificates tell people how energy-efficient a home is on a scale of A–G, with the most efficient homes – which should have the lowest fuel bills – in band A. The certificates also provide information about the impact a home has on the environment: better-rated homes should have less impact through carbon dioxide emissions. The certificates include recommendations on ways to improve a home's energy efficiency both to save the occupier money and help the environment. The intention is to provide easily accessible information to make choosing environmentally friendly premises easier for individuals and helping to establish a market in such properties.<sup>b</sup>

### (C) REDUCING EFFORT BARRIERS: IMPROVING RECYCLING INFRASTRUCTURE

In the case of recycling, effort costs, such as a lack of basic infrastructure, have been identified as preventing individuals from taking the optimal course of action. The inaccessibility and inconvenience of recycling facilities, combined with an increase in consumption, led to rising levels of household waste-production throughout the 1980s and '90s. The need to facilitate recycling opportunities led to the introduction of kerbside recycling, whereby recyclable household waste was collected by local councils. This has had a substantial impact; the amount of household waste recycled or composted in the UK has increased continuously, from 6% in 1995/6 to 26% in 2005/6. A recent study for Defra by the Open University showed that, while almost three-quarters of households set out waste materials for kerbside recycling collection in 2005, this figure had increased to 85% in 2006.<sup>c</sup>

### (D) INCREASING EFFORT BARRIERS: REGULATING BEHAVIOURS AWAY

The simplest and most commonly utilised measure to increase effort costs in order to discourage undesirable behaviour is to regulate to make it less accessible. A number of countries, including Sweden, Norway, Finland and some states in the USA and Canada for example, operate state-run monopolies for the sale of alcoholic beverages in an effort to prevent over-consumption and reduce the profit motive for sales which encourages commercial advertising and marketing. Forcing consumers to visit specific sites to purchase alcohol increases the transaction or effort costs of doing so. In Sweden, tight restrictions intended to prevent sellers from promoting certain brands over others mean that state-run alcohol shops refrigerate none of their drinks, and restricted opening hours for stores add further to the effort costs involved in consuming alcohol by reducing the opportunity for immediate consumption and ensuring that people must plan ahead. Taxation is also relatively high and alcohol consequently relatively expensive. Alcohol consumption is comparatively low: average alcohol consumption per adult per year in 2003 in Sweden was 5.6 litres, compared to an EU and UK average of 9.3 litres.<sup>d</sup>

a <http://actonco2.direct.gov.uk/carboncalc/html/index.aspx>.

b Department of Trade and Industry, *Meeting the Energy Challenge: A White Paper on Energy* (London: HMSO, 2007), 297.

c Alan Jones, Suresh Nesaratnam and Andrew Porteous, *The Open University Household Waste Study. Key findings from 2006* (London: HMSO, 2007).

d World Health Organization, European Health for All statistical database (2006).

## INTERNAL FACTORS: POLICIES ADDRESSING COGNITIVE PROCESSES AND HABITS

In terms of internal factors – habits, emotions, personal capacity, and biases – policymakers have been most effective at considering the presentation and framing of information. Boxes 3, 4, and 5 in this section provide examples of policies which have been designed to take on board the impact of internal drivers in behaviours and the various options are also presented diagrammatically, in Figure 3.

### Breaking habits and routinising behaviours

As discussed in chapter 2, habits are routinised behaviours which involve minimal deliberation and limited conscious awareness of behavioural choices. Policymakers can work both to break habits

and re-establish and routinise them. However, breaking habits is not always easy, as it requires us to elevate habitual behaviour to the level of conscious thought, where we can evaluate it objectively. This may involve significant effort on the part of the individual – as Jackson puts it, “a distinct cognitive effort is required to overcome habitual behaviour, even where the new behaviour carries substantial benefits for the individual concerned”.<sup>75</sup> The process of breaking habits is generally described as one in which habits are “unfrozen”, incentives are provided to encourage a new behaviour, and then the altered habit is encouraged to “re-freeze”. Habits are reinforced through a process of repetition and reinforcement and tend to be stronger the more often they are repeated.<sup>76</sup>

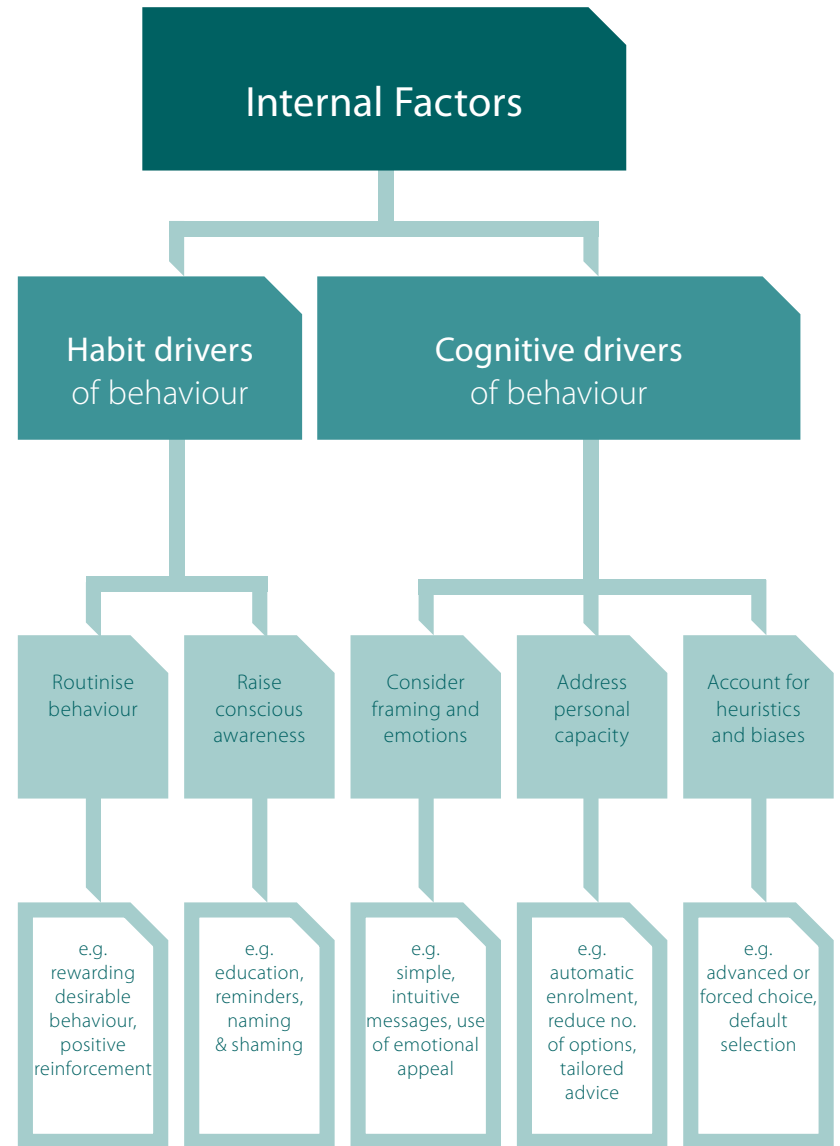
It is important to notice that in relation to habits, especially, a great many policy tools may be available and appropriate in different circumstances. Since habitual behaviour is related to the issues of cost, effort, capacity and social norms, there will be significant cross-over in techniques. For example, monetary incentives, well-framed information and educative campaigns can be used to raise conscious awareness of a habitual behaviour to the extent that efforts to persuade people to alter that behaviour become viable. Example A in Box 3 describes educational initiatives which have sought to routinise desirable behaviour by working with school children, with respect to healthy eating. Example B describes an initiative which makes use of a financial incentive, and Examples C and D consider the use of prompts or reminders in unfreezing and re-freezing habitual behaviours. Prompts can take many forms and examples include the use of kitemarks, stickers (for example placed at light switches asking the last person to “switch off”) or as text messages (a clinical trial in New Zealand involved sending text messages to smokers who wanted to quit – with these reminders, quitting rates doubled among young adults).<sup>77</sup>

75 Jackson, *Motivating Sustainable Consumption*, 36-37.

76 *Ibid.*, 114.

77 “Text Messages Double Young Smokers’ Quit Rates,” *New Scientist* (2005): <http://www.newscientist.com/article/dn7444.html>.

FIGURE 3



### BOX 3: ADDRESSING INTERNAL FACTORS: UNFREEZING AND ROUTINISING HABITS

#### (A) ESTABLISHING HABITS IN SCHOOLS: CREATING HEALTHY EATERS

In July 2000, the Department of Health invested in a scheme that encouraged children to eat more fruit and vegetables. Since children are still very responsive to what they are taught, introducing the importance of healthy nutrition at primary school age aims to manifest new habits. This scheme was supported by a joint publication between the DoH and the then Ministry of Agriculture, Fisheries and Food, which provided guidance for primary teachers regarding how to incorporate food and nutrition questions into the curriculum.<sup>a</sup>

#### (B) ESTABLISHING HABITS USING REWARDS: DORSET'S RECYCLING LOTTERY

In 2005, Dorset introduced a Recycling Lottery. People were encouraged to put their contact details into glasses and jars they recycled. Local businesses contributed to a lottery and every week a resident could win prizes, such as a season ticket for the Animal Park, DVD vouchers or National Trust memberships. When the programme stopped in 2006, more than half the winners said that the lottery made them more environmentally aware and that they would recycle more regularly in the future. The scheme successfully rewarded good behaviour and contributed to entrenching it.<sup>b</sup>

#### (C) BREAKING AND ESTABLISHING HABITS: DRIVING ON THE OTHER SIDE OF THE ROAD

In 1967, when Sweden switched from driving on the left-hand side of the road to the right, deeply ingrained habits of driving and looking when crossing the street had to be unfrozen. Prompts and signs on the street reminded people where to drive and how to cross the street and most cars had stickers on their dashboards showing "H" for Hoeger, referring to "right" in Swedish. These measures were accompanied by explanations in the printed press, radio and television. The private sector used the "H-Day" for its own marketing campaigns as well, printing slogans on milk containers and men's shorts. All these measures contributed to establish the new traffic rules – which quickly became the new norm – making the transition relatively smooth and safe.<sup>c</sup>

#### (D) BREAKING HABITS: THE WATER PROMPT

In Ontario, Canada, an initiative set out to stop people from watering their gardens unnecessarily. Households were provided with a gauge, which showed when they had last watered their gardens – a measure which reduced watering by 15%. Another group was given the gauge and a prompt to put above their water tap. It reminded them not to water their garden if it had rained the previous day, and only to water once every two days. The little sign people saw before they turned on the water reduced the garden watering by 54%. The provision of information alone was not enough: people had to be reminded constantly that too much watering is wasteful in order to change their habit.<sup>d</sup>

- a DoH/MAFF, *Guidance on Food and Nutrition in Primary Teacher Training* (2003).
- b Dorset County Council "Recycling Lottery proves just the ticket for Dorset's war on waste": <http://www.dorsetforyou.com/index.jsp?articleid=350726> <<http://www.dorsetforyou.com/index.jsp?articleid=350726>> .
- c Time Magazine, "Switch to the Right" (September 15, 1967): <http://www.time.com/time/magazine/article/0,9171,941144,00.html> <<http://www.time.com/time/magazine/article/0,9171,941144,00.html>> .
- d Doug McKenzie-Mohr, "Promoting Sustainable Behaviour: An Introduction to Community-Based Social Marketing" *Journal of Social Issues* 56, No.3 (2000), 543-544.

### Framing, emotions and capacity

As we have seen, the provision of information can be an important first step in addressing behavioural change in the sense of overcoming accessibility barriers. However, simply providing information will often be insufficient to alter behaviours and may in fact result in bewilderment and procrastination in the face of complexity. As we have also seen, behavioural economics teaches us that the way in which information is presented and framed will have an influence on the impact of the message it seeks to impart. Examples A and B in Box 4 demonstrate policy initiatives framed around, respectively, simple and emotionally appealing messages.

Addressing concerns about capacity, whether it be questions of self-efficacy or complexity which affect the sense of control an individual has over a behaviour, requires effective persuasion to encourage people to feel capable of change. In this regard, public education is a useful and often effective means to influence problems related to

personal capacity and to persuade people to adapt their behaviours. On the other hand, strategies that rely on education and training can have limited scope because few people will be willing to find the time to attend classes. For example, as part of the Savings Gateway pilot project, participants were offered basic financial education in the form of a CD-Rom, and tailored courses from learndirect, but interest levels were low, and take-up ranged from 8% to 18%, with 39% responding that the course would not be helpful or relevant and 13% uninterested in financial advice.<sup>78</sup> An alternative approach is to reduce the need for people to deal with complexity, thereby tackling the inertia that it can induce. Examples C and D in Box 4 both take this approach – effectively removing the need for an active decision. These soft paternalism options of automatic enrolment offer a halfway house between voluntarism and compulsion, and can be useful in overcoming barriers related to inertia or informational complexity.

#### BOX 4: ADDRESSING INTERNAL FACTORS: FRAMING AND CAPACITY

##### (A) FRAMING INFORMATION CLEARLY: SENDING A SIMPLE FIVE-A-DAY MESSAGE

The Five-a-Day programme aims to transmit a simple message very clearly: everybody should eat five fruits and/or vegetables a day to stay healthy; in so doing, it addresses a simple knowledge problem that people do not (or did not) know that they should eat this amount of fruit and vegetables to stay healthy. To make it easier for people to know how many portions they have consumed each day, many food products are now labelled by retailers as counting towards the five portion tally. A 2006 Food Standards Agency survey found that 71% of people were aware they should eat at least five portions of fruit and vegetables a day (compared to 52% in 2002), though only 55% claimed to eat at least this much – demonstrating a continuing attitude-behaviour gap.<sup>9</sup>

##### (B) FRAMING WITH EMOTIONAL APPEAL: GRAPHIC SMOKING IMAGERY

Anti-smoking campaigns which display graphic images prominently on

cigarette packets seek to appeal to our emotional senses to persuade us to alter our behaviour. These were first introduced in Canada in late 2000. A survey conducted in October 2001 showed that 90% of smokers had noticed the pictures and 83% had talked about them with friends. This had the effect that 21% of smokers said that on one or more occasions they were tempted to have a cigarette but did not because of the new warnings.<sup>b</sup>

##### (C) ADDRESSING CAPACITY BARRIERS: REDUCING OPTIONS IN SAVINGS PLANS

The company 7Eleven identified that a barrier to employees saving money for the future was that they were simply overwhelmed by the options and did not know where to put their money. The company addressed this problem by offering to make the decision for them. Employees were able to invest in the company fund and therefore did not have to worry individually about where to put their money; a complex issue which often led instead to procrastination. Returns are paid out according to contributions and the 'Profit sharing and savings plan' amassed a return of 12% between 1953 and 2001.<sup>c</sup> This mechanism is a form of "soft paternalism" whereby someone else takes the decisions and necessary steps on behalf of the individual.

##### (D) ADDRESSING CAPACITY BARRIERS: AUTOMATIC PENSIONS ENROLMENT

Studies of the 401(k) pension scheme in the US have shown that inertia leads most people to accept the default option. It can therefore be a powerful policy tool, particularly where enrolment can be automatic, for example in a savings scheme. Automatic enrolment works particularly well if the group is homogenous: it is relatively easy to design an option which would suit most people and then set this as the default. If, however, situations are more diverse, it is difficult to find an appropriate default option which will suit most people and forced choice might be a more appropriate way forward. Following the Turner Commission, a similar system of automatic enrolment is being adopted in the UK.<sup>d</sup>

a Food Standards Agency, *Consumer Attitudes Survey 2006: England Report* (2007)

b Environics Research Group Ltd., *Evaluation of New Warnings on Cigarette Packages* (2001).

c Elayne Demby, "Game Plan: Leave it to the Boss," *Plan Sponsor* (September 2002).

d James J. Choi et al., "Plan Design and 401(k) Saving Outcomes" NBER Working Paper No. W10486 (2004).

78 HM Treasury, *Final Evaluation of the Savings Gateway 2 Pilot*, by Paul Harvey et al. (London: HMSO, 2007), 64–7.

Research evidence also suggests that face-to-face contact and personally tailored and involving messages may be most effective with respect to enhancing personal capacity to act, and educational initiatives may also be more effective when they involve face-to-face interaction. A case in point was the Plain Talk initiative in the United States. It aimed to provide young people with more effective information about reducing sex-related risks through improved communication with adults and community leaders. Evaluations found that increasing adult–youth communication about sex, combined with the provision of contraceptive services, led to an 11% reduction in unwanted pregnancies within four years.<sup>79</sup> A comparison of data from states where the initiative was conducted with those where it was not concluded that much of the decrease was due to the communication strategy.<sup>80</sup> Effective persuasion also relies on the credibility of the persuader. In this sense, the ability of government to play the lead will be affected by public trust. Consideration should therefore be given to the types of people who are involved in persuasive efforts: messages may be more credible if they come from the mouths of trusted voluntary organisations or professionals (such as doctors and teachers) rather than government. Indeed, six in ten people surveyed feel that the government does not use official figures honestly or present them without political interference.<sup>81</sup>

### Recognising and utilising biases

As discussed in chapter 2, biases (emotional or cognitive) reflect patterns of deviation in judgement which systematically distort the rational decision-making process, and may often be the result of heuristics. Importantly, however, they tend to do so in predictable and replicable ways. This means that as long as biases are detected, policymakers can adjust policies to take account of, or challenge, their skewing effects. Example A in Box 5 demonstrates an initiative which sought to circumvent the tendency to loss aversion. It also addresses the tendency to exchange immediate benefits for long-term loss, effectively by shifting decision making to an earlier point. Examples B and C refer to initiatives intended to challenge hyperbolic discounting by making use of trial and error, and by forcing a choice to overcome the tendency to inertia.

79 Anna Coote et al., *Finding Out What Works: Building Knowledge About Complex, Community-Based Initiatives* (King's Fund, 2004).

80 Plain Talk website, "Evidence of Effectiveness": <http://www.plaintalk.org/effectiveness.htm>.

81 Bobby Duffy et al., "Who Do You Believe? Trust in Government Information" (London: Ipsos MORI Social Research Institute, 2005).

## BOX 5: ADDRESSING INTERNAL FACTORS: BIASES

### (A) CHALLENGING LOSS AVERSION: SAVE MORE TOMORROW™

Save More Tomorrow™ is a scheme which was first pioneered in the US to challenge the barrier to saving posed by the idea of loss aversion. Participating employees commit in advance to transfer a fraction of their next pay increase to a savings account. The "cost" in terms of a reduction in disposable income does not register, as the individual's income after a pay rise will still be larger (in nominal terms), making people less averse to saving and overcoming their preference of immediate consumption. Evidence suggests this works well, with the majority of participants still in the plan after several pay rounds.<sup>a</sup>

### (B) CHALLENGING HYPERBOLIC DISCOUNTING: FINANCIAL SIMULATIONS

The "financial flight simulator" conveys information and at the same time challenges habit. In an experiment, people were given a random income stream over a 30-year life cycle, which they had to divide between consumption and savings. Initially, subjects tended to over-consume in early periods and set aside too little money for retirement. However, when given the opportunity to try again, results improved. Chua and Camerer suggested that this was due to the method of conveying the information, which was not done through brochures and endless numbers, but by simulating – and therefore feeling – the repercussions of undersaving.<sup>b</sup>

### (C) OVERCOMING INERTIA BY FORCING A DECISION: ENROLMENT IN PENSIONS PLANS

In order to encourage employees in the US to enrol in a pension plan, they were given a 30-day deadline to decide whether or not they wanted to be enrolled. This forced them to take an "active decision", breaking the cycle of hyperbolic discounting. The approach raised the proportion of employees enrolled from 40% to 70% within 3 months.<sup>c</sup>

a Thaler and Benartzi, "Save More Tomorrow™: Using Behavioural Economics to Increase Employee Saving," *Journal of Political Economy* 112/1 (2004), pt. 2.

b Zhikang Chua and Colin F. Camerer, "Experiments on Intertemporal Consumption with Habit Formation and Social Learning," Caltech Working Paper (Pasadena, CA: California Institute of Technology, 2005).

c Choi et al., "Optimal Defaults and Active Decisions," NBER Working Paper 11074 (2005).



## SOCIAL FACTORS: POLICIES FOSTERING OR UTILISING SOCIAL NORMS

Social norms are deeply rooted in our culture, and influence both our conscious and unconscious decisions. This makes them difficult to shift, but also means they can form a very effective means of reinforcing behaviour change. Norms can be shifted in many ways. For example, the pervasive nature of modern media coverage means that comment on a politician's speech, a public protest or a recent trend can have a powerful influence on public opinion and should not be underestimated. Equally, large national advertising campaigns can be effective – such as those which have targeted the wearing of seat belts and drink-driving. Example A in Box 6 describes the successful Australian anti-smoking campaign. In Britain the anti-smoking campaign, though less successful than the Australian one, also built upon shifting social norms, and in July 2007 the cultural change in how smoking is viewed was codified by the banning of smoking in public places.

Our discussion in chapter 2 highlighted the significance of learned behaviour on our actions – the extent to which we look to those immediately around us for pointers on how to behave in any given situation. With 54% of those surveyed in an Ipsos MORI poll agreeing that they would “do more to try and stop climate change if other people did more as well”,<sup>82</sup> community initiatives and pressure groups have the potential to provide clear visible indicators and reminders of desirable behaviour and the need for collective action. The composting scheme pioneered in Nova Scotia (see Example B in Box 6) is one example – here the use of visual pointers to indicate members of the community participating in the composting scheme aimed to galvanise others by demonstrating the involvement of their peers and neighbours. The emphasis on learned behaviour and our reliance on social signals also highlights the importance of community-level engagement in changing individuals' behaviour (see Example C in Box 6).

Social values such as reciprocity, loyalty and responsibility can be utilised to encourage behaviour change, through techniques such as publicly acknowledging desired behaviour, naming and shaming those who do not comply with a norm, or making use of public contracts to signal commitment and involvement in behaviour. For example, the use of community-level public commitments plays on our desire for internal

consistency and the power of in-group dynamics. Schemes such as the Transition Towns network see communities pledging to “collectively plan” for a drastic reduction in their carbon emissions and to begin the transfer to sustainable technologies.<sup>83</sup> In 2003 the Prime Minister's Strategy Unit advocated contracts as a more direct and forceful means of ensuring that patients take responsibility for their own wellbeing. It concluded that “[a] loose form of “compact” [where users enter into an agreement with the Health Service over their general care] has some desirable attributes – exploiting commitment and consistency and framing the relationship in terms of reciprocity”.<sup>84</sup>

We are also particularly receptive to influence from people in authority and to people we trust and like, which points to the potential for role models to influence norms. Role models are able to inspire and enable other people, either by strong leadership (for example from politicians or celebrities) or often by building personal relationships with them. In these cases, role models are chosen because they represent “people like me”. For example, former addicts can be helpful in encouraging addicts to abstain. What makes a good role model scheme obviously differs from area to area. An Australian report on schemes focusing on young people, however, determined some factors which influence the effectiveness of most schemes, such as the need to administer and manage programmes in ways which are sensitive to the beliefs and needs of the target group, and which have a solid basic structure but are flexible on details. Role model schemes can also be effective in targeting not only the target groups themselves, but also those people who exercise influence on them, for example their parents. For a long-lasting impact it is important to build networks and establish a relationship among the different stakeholders.<sup>85</sup>

In terms of fostering new social norms, a fruitful technique which is being increasingly recognised as successful is *social marketing*, which is distinguished from commercial marketing by seeking to attain a social or public good.<sup>86</sup> To use Lazer and Kelley's long-

82 Downing and Ballantyne, *Tipping Point or Turning Point?*, 30.

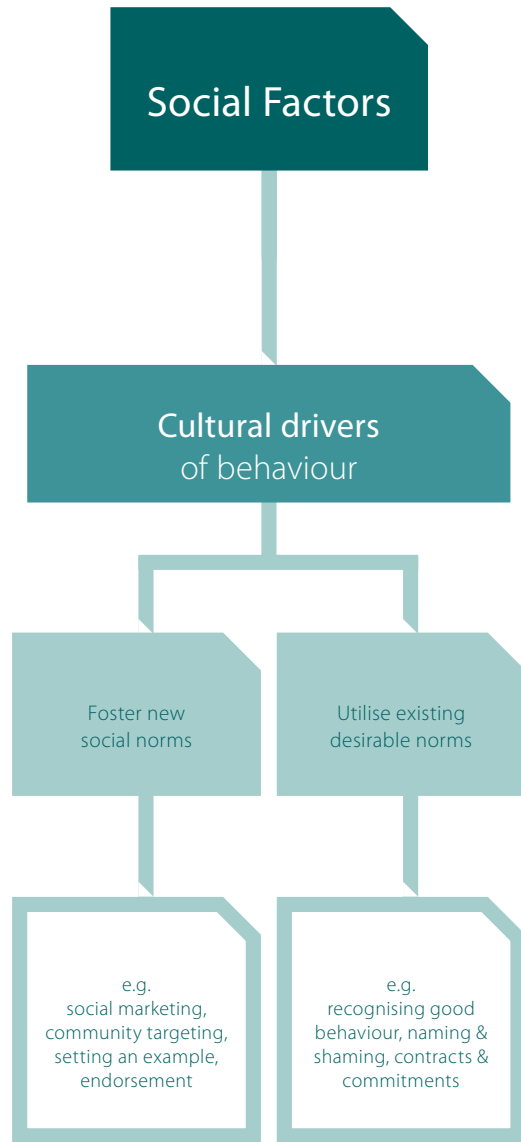
83 Transition Towns website: <http://www.transitiontowns.org>.

84 Halpern and Bates, *Personal Responsibility and Changing Behaviour*, 37.

85 For all of these recommendations, see Judith MacCallum and Susan Beltman, for the National Affairs Youth Research Scheme, *Role Models for Young People. What makes an Effective Role Model Programme?* (Tasmania: Australian Clearinghouse for Youth Studies, 2003), 103ff.

86 On the evidence for the success of social marketing, see National Consumer Council, *It's Our Health! Realising the Potential of Effective Social Marketing* (London: National Consumer Council, 2006).

FIGURE 4



established definition: “Social marketing is concerned with the application of marketing knowledge, concepts, and techniques to enhance social as well as economic ends. It is also concerned with analysis of the social consequence of marketing policies, decisions and activities.”<sup>87</sup> A systematic approach is key to successful marketing (social or commercial). This means that the field for intervention is thoroughly analysed before the means and instruments of a campaign are established, and that the success of any campaign is regularly scrutinised and evaluated and feedback incorporated. Box 6 refers to a successful social marketing example (D).

**BOX 6: ADDRESSING SOCIAL FACTORS: FOSTERING AND USING SOCIAL NORMS**

*(A) NATIONAL CAMPAIGNS TO SHIFT A SOCIAL NORM: THE AUSTRALIAN SMOKING BAN*

Between 1997 and 2004, the Australian government invested almost \$24 million in a comprehensive National Tobacco Campaign. Campaigns were targeted at specific groups, such as pregnant indigenous women or young people. Television programmes encouraged smokers to quit and offered the phone number of a helpline to call. Although rates of smoking had been falling since the middle of the century, the campaign was a remarkable success. In 1995, smokers constituted 28% of the male and 24% of the female adult population. By 2004 this had fallen 17% for both genders, giving Australia one of the lowest rates of smokers in the world. By mid-2007, five Australian states had banned smoking completely in any indoor public spaces, with more states considering the introduction of similar laws.<sup>a</sup>

*(B) RAISING AWARENESS OF AN EXISTING NORM: THE CANADIAN COMPOSTING SCHEME*

Following a national ban in Canada on burying organic materials in landfill sites, the province of Nova Scotia introduced a scheme to promote household composting. Since household composting is not a particularly visible activity, stickers were provided for participating households to place on their bins outside, thereby demonstrating their involvement to the rest of the community. This helped to highlight a

<sup>87</sup> William Lazer and Eugene J. Kelley, *Social Marketing: Perspectives and Viewpoints* (Homewood, IL: Richard D. Irwin, 1973), ix.

social norm and thus increased the number of people adopting the desired behaviour as people “learnt” new behaviour by example and sought to comply with the consensus position.<sup>b</sup>

### (C) COMMUNITY PARTICIPATION AND ENGAGEMENT: CHRISTMAS SAVINGS SCHEMES

An example of community engagement and communal participation is the use of Christmas hamper savings schemes – locally administered programmes frequently used by low-income families to put money aside and avoid debt at Christmas. Customers commit to the scheme early in the year, and instalments are collected via a local agent who regularly visits participants in their homes. The informality of such schemes has been identified as a major drawback in the aftermath of the collapse of the Farepak hamper scheme in 2006, and the loss of savings for at least 150,000 customers. However, it appears that the communal elements continue to appeal, particularly to families who find more formal savings mechanisms complex and bureaucratic. The Pomeroy Review of Christmas Saving Schemes highlights the attractions of the social aspects of this form of saving; for many customers, saving as part of a hamper scheme has become a family tradition, and the regular visits from a local agent create a ‘shared anticipation’ as Christmas approaches, making a normally arduous process more fun. While the schemes will now need to be subject to improved regulation to secure the safety of participants’ money, there appears to be a good case for maintaining their social and communal elements.<sup>c</sup>

### (D) FOSTERING NEW SOCIAL NORMS: SOCIAL MARKETING TO TACKLE DRUG-USE

The Australian National Drugs Campaign has run since 2001 and seeks to reduce illicit drug-use amongst Australian teenagers, by promoting negative messages about drug-use and ways to seek help. In-depth research was conducted to segment the youth population and targeted messages were developed in response to differing circumstances. The campaign has centred on widespread TV advertising accompanied by the provision of information about alternative local activities. Positive attitudinal and behavioural changes are reported as a result, with 65% of young people reporting that the campaign had influenced them – most commonly to avoid using drugs (36%), to think about drugs/consequences of using drugs (19%) and to avoid drug-use situations.<sup>d</sup>

a Department of Health and Ageing (Government of Australia) “Fact sheet: Smoking Reduction Initiatives”: <http://www.health.gov.au/internet/wcms/publishing.nsf/Content/factsheet-smoking.html>

b Cialdini, Reno, and Kallgren, “A Focus Theory of Normative Conduct: Recycling the Concept of Norms to Reduce Littering in Public Places,” *Journal of Personality and Social Psychology* 58 (1990), 1015-1026.  
 c HM Treasury, *Pomeroy Review of Christmas Saving Schemes* (2007).  
 d National Social Marketing Centre, *Examples of Social Marketing* (NCC, June 2006).

An important lesson from commercial marketing is the significance of relationship-building.<sup>88</sup> This emphasises that marketing should not just focus on a single transaction, but should build a relationship between the actors involved. In commercial marketing, tools used to build such relationships include loyalty cards or air miles. Such efforts are beneficial to companies because it is easier to maintain customers than to gain new ones; long-term planning is easier with a stable group of customers and loyal consumers bring the opportunity of cross-selling.<sup>89</sup> Since social marketing focuses on changing norms and social understandings, a long-term approach which builds on trust and partnership rather than mere transactions might increase the success of marketing strategies in the social sphere.

Critics of social marketing have suggested that policymakers should refrain from social marketing because marketing in general has a bad name. They argue that marketing reflects only commercial values and interests and fosters passivity on the one hand and consumption on the other.<sup>90</sup> Such techniques seem to some to constitute a worrying move towards a “big brother” government, which seeks to manipulate society, when norms should arise more naturally rather than being imposed. However, as we discussed in chapter 1, this criticism could be made of all interventions by government to some degree, and ultimately there exists no neutral backdrop. Whether it be a politician’s speech or intervention in external factors, all seek to move societal views and behaviours towards a position deemed to be socially ideal from the government’s perspective, often against countervailing market pressures. There are certainly questions around transparency and accountability in such endeavours but these do not in and of themselves constitute a reason not to intervene in such a way.

88 Gerard Hastings, “Relational Paradigms in Social Marketing,” *Journal of Macromarketing* 23/1 (2003), 1–10.

89 *Ibid.*, 3.

90 Diana Walsh et al., “Social Marketing for Public Health,” *Health Affairs* (Summer 1993), 117.



On the other hand, in the face of strong countervailing pressures (for example, if a strong lobby promotes the undesirable behaviour) government efforts at social marketing may be ineffective or inefficient. For example, efforts to counteract alcohol consumption may be insufficient to counter the weight of advertising in the alcohol industry, and therefore tougher legislative or regulatory measures may be more efficient. Equally, the existence of attitude-behaviour gaps may represent a significant problem for social marketing methods. Such instances arise when individual behaviour does not follow cultural or social norms, and therefore, despite a widespread acceptance of the need to change, people do not accept individual responsibility to alter their actions. In such instances, government may seek to change behaviour through the other routes discussed earlier in this chapter, for example by making use of incentives, or regulation, or by focusing a campaign not only on the problem but also on the individual responsibility for tackling it.

## CONCLUSION

While chapter 2 highlighted the variety of factors – both rational and irrational – which influence human behaviour, this chapter looked at successful case studies which have accounted for these behavioural tendencies. Even these examples, however, often do not reflect the systematic consideration of all behavioural drivers, and designing policies which target only one driver may be insufficient. Policy initiatives will frequently need to consider all three elements; financial incentives alone may not be enough to encourage people to break with ingrained habits, and highlighting the damaging impact of individual actions may not be enough to persuade people to accept personal responsibility for changing their behaviour, and so on.

The lesson to be drawn from this is simple: the most comprehensive policies are the most likely to be successful. The key challenge, which will be addressed in the next chapter, is therefore to pull together the three general areas for behavioural change – external, internal and social – providing a broad framework for policymakers.

## Summary of key messages

- Although policymakers have traditionally focused on adjusting external factors to influence behaviour, there is a

growing awareness, particularly in certain central government departments, of the insights of behavioural economics, and a wide variety of policy initiatives which utilise these insights are identifiable. Policies aimed at altering external factors have tended to focus on adjusting monetary and effort costs. For example, financial incentives and disincentives, such as tax breaks and subsidies, can be offered. Common policies to address effort barriers include the provision of easily available information and accessible facilities.

- Policies aimed at altering internal factors can seek to break habits and routinise behaviour, for example by utilising prompts or reminders. Capacity limitations can be addressed using simple and emotionally appealing messages, or by offering tailored persuasive advice and educative initiatives. The influence of biases on policy can be challenged, using simulated examples to encourage learning by trial and error; equally policies can be adapted to take account of biases.
- Policies aimed at social factors can seek to foster new social norms, for example using the increasingly recognised social marketing tools, as well as making use of community-based initiatives and tools which publicly signal involvement.

## CHAPTER 4: A FRAMEWORK FOR POLICYMAKERS

The previous chapter sought to explore the variety of policy mechanisms which are available and in use to influence behavioural change. It highlighted that certain options, such as public information campaigns, are very well known and much used by policymakers. Others, particularly those which seek to utilise or address internal and social factors, are, despite their potentially great value, less appreciated.

If we return to one of our policy problems as an example, recent research has suggested that the way society is structured now makes obesity the norm: that we live in an “obesogenic environment”.<sup>91</sup> The recent Foresight report acknowledges that public information campaigns which urge people to avoid certain foods will not be enough: “Interventions that go beyond information campaigns to simultaneously inform, shift motivation and provide necessary skills are more likely to lead to behavioural change.”<sup>92</sup> The report asks policymakers to consider whether a chosen strategy influences the variety of physiological, psychosocial, food-related levers which impact on behaviours leading to obesity.<sup>93</sup> Similarly, a report by the National Consumer Council regarding social marketing in health makes similar points. It argues: “The starting point for a fresh approach to prevention is the recognition that simply giving people information and urging them to be healthy does not work. Rather than attempting to sell health, we need to understand why people act as they do and therefore how best to support them.”<sup>94</sup> It also argues for the use of “whole-systems, holistic and wider-determinants thinking” in determining policy.<sup>95</sup>

We couldn't agree more. This chapter therefore seeks to draw together the variety of mechanisms available to policymakers seeking to influence behaviours and argues for a systematic and holistic approach to policymaking which accounts for all potential barriers to behaviour change rather than just a few. As the previous chapters have demonstrated, individual behaviours are the result of a complex interaction between social, cultural, internal, fiscal and accessibility

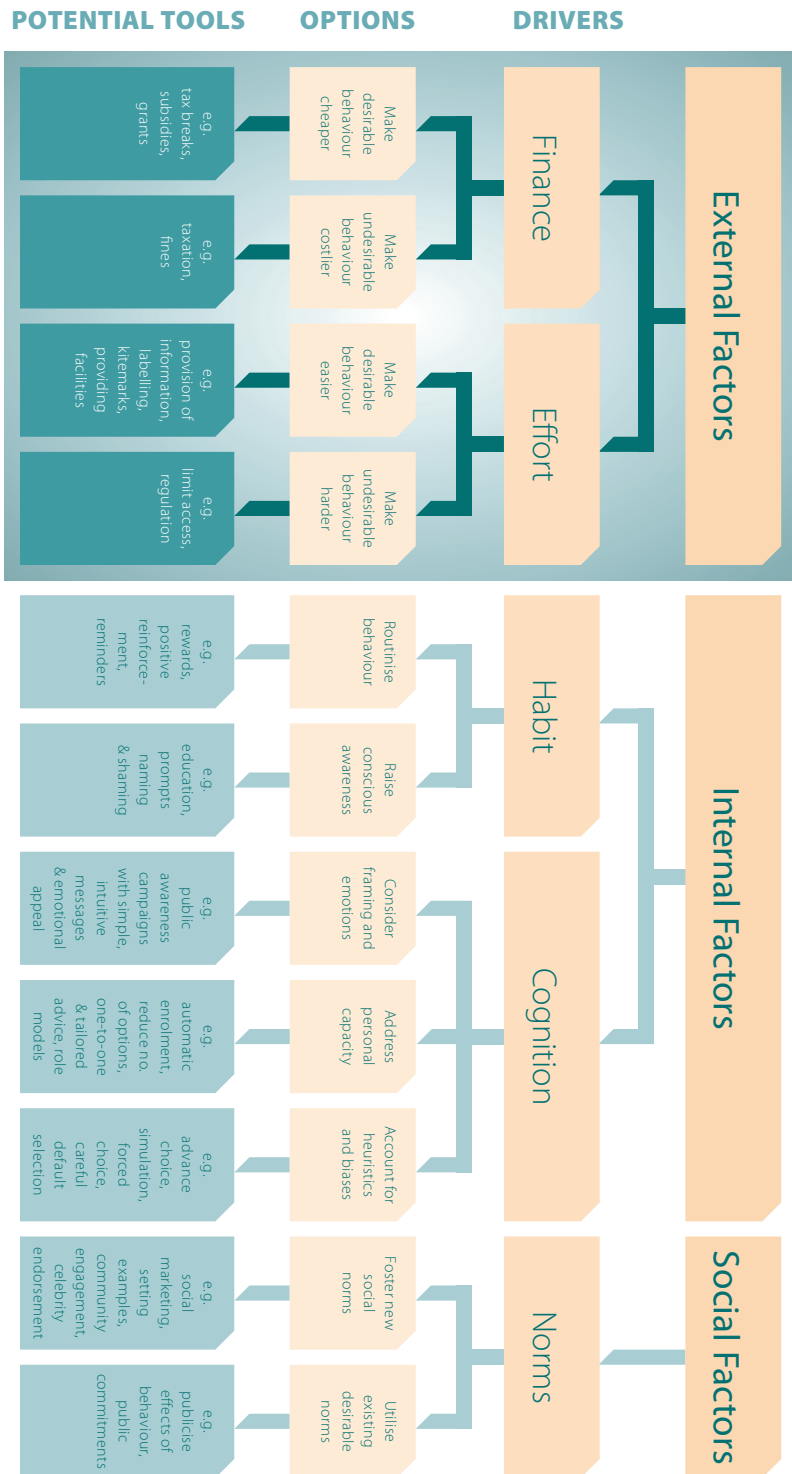
91 Government Office for Science, *Foresight Report: Tackling Obesity: Future Choices – Summary of the Key Messages*.

92 Ibid., 64.

93 Ibid., 133.

94 National Consumer Council, *It's Our Health!*.

95 Ibid., 6.





interactions. However, as has been made clear, a preoccupation with rational choice theory has led policymakers to over-rely on certain market-based mechanisms, namely financial and information levers, and to a lesser extent levers related to effort and accessibility.

Despite an emerging realisation of the need to adopt a more holistic approach to behavioural change, it is clear that such an approach is not being systematically adopted by policymakers at present, either within government departments or across local government and third sector bodies engaged in behavioural change initiatives.

### SYNTHESISING INFLUENCES ON BEHAVIOUR

The framework presented in the flow diagram (Figure 5) brings together the various factors which influence behaviour in a pictorial representation. As before these are divided into internal, social and external barriers. Options to influence each are presented alongside potential tools and mechanisms for doing so. The areas which policymakers have tended to favour are highlighted.

#### Simplifying a complex message

By representing the various elements of behavioural change in this way, the flow diagram seeks to provide a **reminder** or **prompt** to policymakers to consider all, rather than just some, of the drivers of behavioural change. It offers a pictorial representation of the systematic approach to change which we advocate.

We recognise that, given the complexity of policy problems and potential influences on behaviour, the framework is schematic rather than exhaustive. However, we argue that this is necessarily so, since we are attempting to reduce some of the complex insights of sociology, psychology and economics into an easily workable system. This is not to advocate that the complexity be disregarded, but rather to recognise that policymakers are not exempt from issues of cognitive capacity and bias in their own behaviour. If we wish to encourage policymakers to alter their behaviour and move away from the ingrained reliance on informational and financial levers, then it makes sense to provide a message which is clearly framed in an easily understandable and applicable way; we are seeking to reduce the effort costs which policymakers face in taking on board the lessons of behavioural economics by simplifying the system and, in so doing, to break their habitual reliance on traditional mechanisms.

The key message is that policymakers need to supplement their traditional reliance on financial and informational tools, which arises from the embeddedness of the rational actor model, with the insights offered by the disciplines of sociology and psychology. It is this which behavioural economics does so effectively. Rather than offer an alternative explanation, it seeks to show how learning from a number of disciplines can be incorporated to explain behaviours and explore solutions for changing them.

#### Adopting a partnership approach

Government now needs actively to spread the message outside its own central circle, in particular to the huge network of policymakers at a local level. Local government offers fantastic opportunities for piloting and testing how some of the conceptual lessons of behavioural economics work can be applied. It is also worth recognising that government will also not be able to tackle behavioural change challenges in isolation. And, indeed, government has recognised that tackling obesity will require “an unprecedented degree of cooperation between government departments, schools, food, retail, and advertising industries, architects and town planners, and other groups”.<sup>96</sup> Similarly, the National Social Marketing Centre stated that there is “significant potential [for government] to improve links with the commercial, NGO and community sectors [and that] [a]ll of these sectors have important understanding and insight into consumers that is not, as yet, being fully utilised”.<sup>97</sup> In particular, the ability of alternative bodies, in the community and in public life, to act as credible and persuasive providers of information and encouragement should be recognised. Ultimately, when it comes to behaviour, a myriad of bodies from the public, private and third sector compete to encourage our choices. The more of these that policymakers can get working towards the same goal, the greater the chance of success.

#### DIAGNOSING BARRIERS AND FINDING SOLUTIONS

The policy framework presented offers a prompt for policymakers in diagnosing reasons for resistance to behavioural change and potential policy solutions. It aims to point them in the right, or at least a different,

96 David Haslam et al., “Obesity – Time to Wake Up,” *British Medical Journal* 333 (2006), 640.

97 National Social Marketing Centre, *Social Marketing. Part B: The Findings* (London: National Consumer Council, 2006), 82.



direction, rather than identifying absolute solutions. However a few elements in its application are worth emphasising:

- **Scanning:** As is always the case in this era of evidence-based policymaking, an initial step for policymakers, will be to analyse the impact of previous policies, including groups which have been particularly resistant to change, and consider which of the barriers have been addressed and whether these efforts have been successful. It is our contention that they will often find that only a certain number of the elements in the system have been addressed. A patchy, segmented or silo-ed approach to policymaking will hinder government's ability to tackle the complex demands of behavioural change.
- **Segmentation:** As ever, when diagnosing problems and finding solutions, policymakers will need to undertake detailed and segmented analyses in order to understand the barriers to behavioural change and to weight them respectively. It will be important carefully to segment the population, particularly for policy tools such as social marketing, which rely on such an approach for their effectiveness. It is inevitably the case that some drivers will affect different groups within society in different ways and consequently that different approaches, schemes and incentives will have different effects. Careful analysis and segmentation will enable identification of appropriate drivers.
- **Weighting:** We have not sought here to determine which of the social, internal or external factors has the greatest influence on behaviour, and believe it is not possible to do so in a generalised way. As Tim Jackson points out "deciding the exact balance of affective, moral, habitual and social motivations and situational conditions in any given situation is no easy task". To do so in a generalised way is an impossibility.<sup>98</sup> The influences on any given behaviour will be diverse and context-specific; in some instances, it may be the cost of a desired behaviour that is prohibiting change; in others, it may be the weight of social attitudes; in others still, it may be the internal drivers that are having the most impact on behaviour or preventing change.

- **Ordering:** Equally, we do not seek to determine or dictate which of the factors affecting behaviour should be addressed first; again this will be context-specific and will depend upon what has been done to date and the relative costs and resources available in each case. It should be recognised, however, that altering social norms and, to a lesser extent, habits and awareness cannot be done overnight, in the way that prices can be altered, for example. Internal factors (knowledge and cognitive capacity) and social factors (norms and attitudes) are "sticky", and consequently may take a long time to adapt.

## CONCLUSION

The traditional rational choice model of behaviour is an incomplete way of looking at many modern and complex social problems, such as tackling obesity and climate change. Consequently, the effectiveness of traditional policy approaches may be limited. This chapter has advocated that the additional tools and insights highlighted by the literature on behavioural economics can supplement and reinforce traditional tools.

Most importantly, to be effective policymakers should endeavour to adopt a consistent, systematic and holistic approach to problem analysis and to finding and implementing solutions which aim to reconfigure individual behaviours. The policy framework provided here attempts to depict in a clear and schematic way the range of options available to policymakers seeking to influence external, internal and social drivers of behaviour.

## Summary of key messages

- Policymakers need to follow the lead of behavioural economics by adopting a holistic approach to behavioural change interventions which takes account of the multidimensional insights from economics, psychology and sociology.
- The three sets of drivers can be synthesised into a schematic framework for policymakers that simplifies the complex set of insights from behavioural economics and diagrammatically presents options to consider when seeking to influence behaviour, and which highlights potentially useful policy tools.

98 Jackson, *Motivating Sustainable Consumption*, 101.

- The framework is intended not as a complete diagnostic tool but as a prompt to remind policymakers to consider all the drivers of behaviour rather than rely exclusively on external factors, and to encourage them to challenge their habitual ways of thinking.
- The challenge is now to “mainstream” the lessons of behavioural economics throughout the policymaking community – including local government and the third sector – so that the insights are consistently and systematically applied in policy development.





## CHAPTER 5: APPLYING THE FRAMEWORK TO KEY POLICY CHALLENGES

The proceeding chapter revisits the three major policy challenges which were highlighted in the opening chapter of this paper – climate change, obesity and savings – and considers which policy drivers and options have been utilised and which have not, with a view to identifying potentially fruitful avenues of investigation for policymakers and, indeed, the Social Market Foundation. It seeks not to determine absolute solutions but to reframe the problem and the potential solutions in a way which acknowledges the insights from an approach grounded in behavioural economics.

Again, this is not to suggest that policymakers have not recognised at least some of these elements in the past or that awareness of such techniques is not on the up. The recently launched cross-government obesity strategy, for example, directly acknowledges the role of internal and social factors in driving behaviour. And, as we have discussed, the post-Turner pensions reform which seeks to utilise the human tendency to inertia, combining default selection with automatic enrolment, is a high-profile case in point. What becomes clear, however, from a scanning of initiatives in each of the three areas, pensions policy included, is that policymakers have not been systematic in their application or consideration of the insights from behavioural economics, nor have they often taken a holistic view of the problem. Nor, as we have stressed, is the intention to suggest that the traditional approach, with its focus on financial and informational barriers, is redundant. Far from it, but the traditional options and tools which have evolved from the neoclassical rational economic understanding can, and often do, yield effective policy and results; our contention here is that they should now be joined by the less well-known options and tools associated with behavioural economic theory.

In chapter 1 we considered the three policy challenges and the interventions utilised to date in very broad terms. In the interests of clarity, in this chapter we seek to focus more closely on particular issues within each field. We consider the particular policy challenges related to changing behaviours with respect to pensions, participation in physical activity and reducing car use. Our treatment here considers each policy area in very broad terms – in the main, the general population is our chosen segment. This is a logical starting point, but

does not imply that different drivers will not be found with a more detailed segmented approach, as advocated in chapter 4.

In each example, we have considered the range of options which have been utilised in the UK, both broadly or in isolated circumstances, and have organised these interventions according to our three areas: external, internal and social drivers. The range of options is presented in an applied version of the policy framework and shading is utilised in the flow diagrams to indicate whether an area of intervention has been extensively considered by policymakers, has been considered to some extent or in isolated pockets, or has hardly figured on the agenda. The darker the shading, the more extensively a driver has been considered. In each case, it is inevitable that some interventions will have been missed. The discussion is intended not to provide a comprehensive analysis of each given problem, but rather to highlight where the focus of policy has been and which might be fruitful avenues of further investigation. The intention primarily is to prompt consideration. We turn first to pensions.

### ENCOURAGING PENSION SAVINGS

As discussed in the opening chapter, savings in general as well as savings for retirement are too low in the UK – most people do not make adequate provision for their future. Contributions of private sector workers to non-state pension schemes, for instance, had fallen to about 40% in 2004/5.<sup>99</sup> This, combined with an ageing population, has led to widespread assertions that the country is heading for a “pension crisis”. In response, in 2002 the government convened a Pensions Commission. That commission, the Turner Commission, reported in 2006 and advocated the adoption of a system which boosts savings by introducing automatic enrolment in a private pension scheme. The failure of preceding policies and the eventual recommendation of an automatic enrolment scheme, which has subsequently been adopted by government, provides an interesting and topical case study of the ability of behavioural economic ideas to contribute insights where traditional fiscal and informational levers had failed by themselves to secure the desired level of behavioural change.

<sup>99</sup> Pensions Commission, *Implementing an Integrated Package of Pension Reforms: The Final Report of the Pensions Commission* (2006), 13.



### External adjustments: monetary and effort costs

Pensions policy has traditionally relied significantly on providing **financial** incentives to people to save now for the future. Both tax relief on pension savings and employers' contributions should financially incentivise the citizen to make their own contributions, since the cost of saving for retirement to the individual is substantially reduced. The Turner Commission advocated that the financial burden of pension savings continue to be shared by the state and citizens but with an enhanced role for employers, who would be required to match employees' pension savings up to 3% of their salary.<sup>100</sup>

In addition to financial barriers, research suggests that people struggle to overcome **effort** barriers in enrolling in pension schemes and that enrolment commonly occurs as a result of its inclusion in employment benefits packages, or because of state compulsion.<sup>101</sup> This demonstrates that people tend not to be actively opposed to pension savings – indeed if that were the case, then employers would be less likely to use pensions packages as an incentive when hiring people – but that many people shun the effort it takes to enrol in a pension scheme and only take the step if they are pushed to do so, i.e. when it is more of an effort to resist. In the main, effort costs are related to the complexity faced by individuals when contemplating pensions options. It can be both difficult and time-consuming for individuals accurately to calculate the anticipated amount of a future state pension, to estimate the appropriate amount to save in addition to the state provision, and where to invest those savings.

Labelling of stakeholder pensions is one way that government has sought to reduce the informational burden. Such pensions must meet certain standards in order to be eligible for the stakeholder label: management charges, for example, are capped in order to keep costs low. However, the effectiveness of the labelling system in informing consumers about the quality products, so that they do not need to verify it for themselves, will depend on the extent to which the system is understood by the public.

<sup>100</sup> Ibid., 20.

<sup>101</sup> Pensions Commission, *A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission* (2005), 68.

In a further attempt to tackle the informational problem, since 2001 the Department of Work and Pensions (DWP) has sent out personalised Combined Pension Forecasts, which clarify the amount of state pension an individual will be entitled to receive on reaching retirement age. It was anticipated that this would help people to understand the level of their state provision and encourage them to supplement it with private savings. However, a DWP survey in 2005 found that 62% of people did not even remember getting this information.<sup>102</sup> By contrast, a system of automatic enrolment effectively reduces the effort cost to almost zero, making it harder not to save than to do so.

### Internal drivers: habit and cognitive processes

Savings more generally could be routinised by setting reminders and rewarding good behaviour – effectively seeking to make saving **habitual**. For example, the International Savings Bank Conference in Milan has introduced a World Savings Day (31 October), intended to remind people of the importance of savings. As part of this, in 29 countries children are encouraged to bring their piggy banks to their local bank on that day in order to receive a present by transferring their savings to a savings account. The importance of repetition in forming habits means that encouraging savings behaviour in children, however, would be more fruitful if rewards or recognition were forthcoming more often than just once a year. For example, there is scope for schemes which reward children for saving on perhaps a monthly basis (perhaps with a sticker or collectable item). Since child savers often continue to save when they are older, these small initiatives could have a big impact in the future, and might begin to ingrain pro-pensions attitudes.

**Framing** of information also plays an important role in promoting pension savings. It is important to communicate the severity of the problem of undersaving, without transmitting the feeling that it is too late to do something. The rhetoric of the Turner Commission followed this idea: it emphasised that if action is taken now, a pension crisis could be prevented. In terms of persuading people to save, evidence suggests that persuasion is most effective where the persuader is credible and trusted. In the face of falling public trust in government it would make sense to investigate the opportunities for alternative persuaders

<sup>102</sup> Department for Work and Pensions, "Combined Pension Forecasts – A Survey of Their Impact on Recipients." Research Report Number 293 (2005), 41.

– for example, by utilising employers and community organisations to convey the message that pension savings is an important issue.

An understanding of behavioural economics indicates that, even if people had received and consumed the personalised information provided in pensions forecasts, this would have been far from sufficient to encourage them to take action. A recent study by *WHICH?* revealed that most people remain bewildered by the complexity of the system and are put off by “too much” confusing choice.<sup>103</sup> As the authors of that study put it, “pension choice made many feel ‘overwhelmed’ by technical detail and jargon”.<sup>104</sup>

The common response of people overwhelmed by this complexity is inertia, a fact viewed by the Turner Commission as representing “inherent barriers to an effective voluntarist solution”.<sup>105</sup> In clear acknowledgement of the internal behavioural barriers caused by disengagement and procrastination brought about by complexity and reinforced by a tendency to hyperbolic discounting, the Turner Commission argued for “the application of automatic enrolment at a national level to overcome the behavioural barriers to long-term saving, while leaving people ultimately free to make their own decisions”.<sup>106</sup> The retention of an “opt out” allows the system of automatic enrolment to occupy the middle ground between compulsion and voluntarism. As well as recognising the power of inertia in preventing behavioural change, the Turner Commission recognised that this same internal tendency could be utilised to ensure the desired outcome.

Such a system, which bypasses the need for individual ownership and understanding of pensions and savings decisions, relies heavily on a well-set default, which most will adopt. Although the opportunity to opt out retains freedom of choice for individuals, the power of inertia is such that most people are anticipated to remain in the system and accept the default; indeed, the success of the solution explicitly relies on this. This means that automatic enrolment constitutes a relatively blunt tool. Divergence in lifestyle needs and individual endowment

103 “Pensions Research 2006: Presentation of Qualitative Research,” *Which?* (2006), 19: <http://www.which.co.uk/files/application/pdf/Which%20Pensions%20Research%20July%202006-445-94947.pdf>.

104 *Ibid.*, 24.

105 Pensions Commission, *A New Pension Settlement for the Twenty-First Century*, 62 and 66.

106 Pensions Commission, *Implementing an Integrated Package of Pension Reforms*, 16.

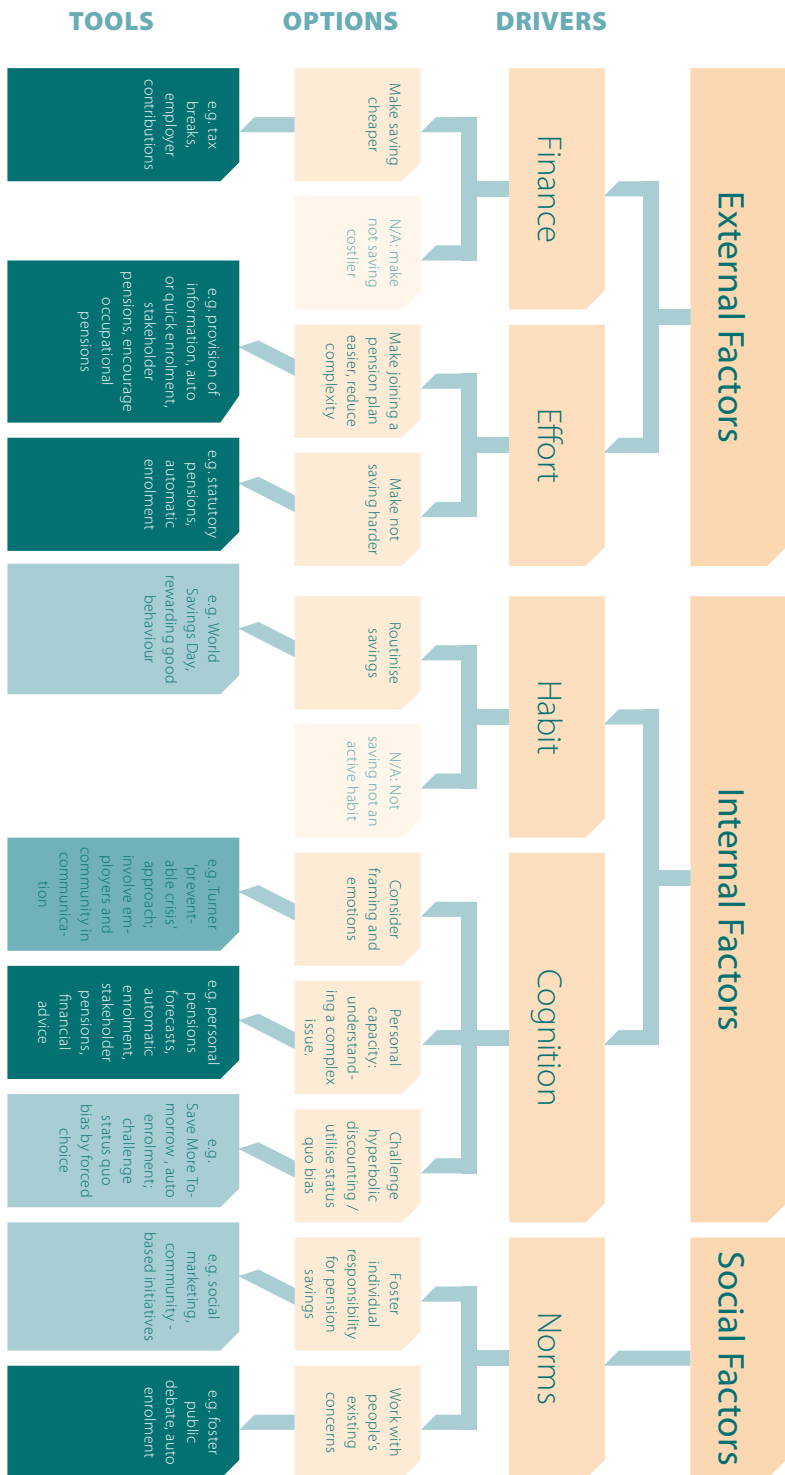


FIGURE 6 – PENSION SAVINGS – FACTORS AFFECTING BEHAVIOURAL CHANGE

Much used

Less used

Shading indicates extent of current policy initiatives

situations is very large across the population and yet the system assumes that most people will accept the default. Differentials related to income, financial wealth, housing assets, family situation and many other factors all determine the most appropriate levels of savings for retirement and the appropriateness of different forms of investment from high to low risk. Setting one default, however, means that the vast majority choose the same savings plan; this will inevitably be inefficient for many of them.

An alternative to automatic enrolment is the option of forcing a choice, whereby employees must, by a certain date, say whether they wish to be enrolled or not and must actively choose which product they prefer. In such a system, employees could be given a deadline within which they have to make a decision between different saving rates and a range of different investment possibilities, in a manner similar to the options provided for Child Trust Funds. Although enrolment would probably be lower than in an automatic system, the products selected would be anticipated to be more appropriate, and knowledge and understanding of the options enhanced. Requiring people to make a choice instead of automatically enrolling them in a default setting might retain many of the benefits of automatic enrolment, but reduce some of the inefficiency. There is, however, an unresolved question regarding the extent to which forcing people to make a choice is more or less paternalistic than automatic enrolment.

### Social drivers: social norms

Perhaps surprisingly, public consternation about automatic enrolment has been relatively limited. It appears that people were keen to be presented with a solution, and that, given a choice between greater poverty in old age, and a degree of compulsion, they were happy to choose the latter – an effective example of framing the problem. Although research for the Turner Commission found that some people criticised automatic enrolment as being too paternalistic, a clear majority were positive about such a solution.<sup>107</sup> In general, the public, the media and key stakeholders concurred that the solution proffered was “fair, affordable and sustainable”,<sup>108</sup> with the Association of British Insurers describing it as a “solid platform for a new savings culture”.<sup>109</sup>

107 “Pensions Research 2006,” *Which?*, 35.

108 “Pensions: Fair, affordable and sustainable,” *Guardian* (leader), April 5, 2006.

109 Charles Batchelor, “Only the First Step on the Long Road to a Fair Deal,” *Financial Times*, May 27, 2006.

In early 2006, a study by TNS found that “62% of the public were in favour of automatic enrolment in employer pension schemes, and only 15% against”.<sup>110</sup>

Public attitudes towards pensions seem to have been influenced in recent years by widespread talk of a “pensions crisis”, most recently in January 2008 from the then secretary of state for work and pensions, Peter Hain.<sup>111</sup> Although people have started to worry more about their income in old age, this concern has been insufficient to change their behaviour.<sup>112</sup> Many were effectively trapped in an attitude-behaviour gap. As Hain put it: “Around three quarters of people say they will need more than the state pension to live on. But actions do not match words – only four in 10 working-age people are saving into a private pension.”<sup>113</sup> In an example of shifting social norms, attitudes towards the proposals of the Commission appear to have been reinforced by the deliberative process of the Commission itself. Events and publications of the Commission attracted substantial media coverage and thereby contributed to the public debate about the topic and to the Commission’s highlighting of the importance of communicating new findings to the general public.<sup>114</sup>

Despite the adoption of an automatic enrolment system, it will remain important to foster pro-savings norms which will be important in the long run. For pension savings as well as for savings in general, it is important to encourage individuals to feel more responsible for their own pensions rather than relying on the state. Automatic enrolment does not address this problem, but rather fosters inertia and passivity. Therefore it seems important to watch trends in awareness for the need for personal action, and to use social marketing techniques and community engagement to address this shortfall of auto enrolment, particularly if people are to be encouraged to leave the default.

110 “Auto Enrolment for Pensions Wins Backing of Public,” *PersonnelToday.com*, January 17, 2006: <http://www.personneltoday.com/articles/2006/01/17/33423/auto-enrolment-for-pensions-wins-backing-of-public.html>.

111 Department for Work and Pensions, “We Must Act Now to Avoid the Nightmare of a Future Pensions Crisis,” Press Release, January 7, 2008: <http://www.dwp.gov.uk/mediacentre/pressreleases/2008/jan/pens052-070108.asp>.

112 According to the Fabian Society, the Commission’s first report played a vital role in increasing public awareness that there is no easy solution to the problem of undersaving. Richard Brooks and John Denham MP, *The Politics of Pension Reform*, Fabian Ideas 617 (Glasgow: Bell and Bain, 2005), 10.

113 Kate Hughes, “Hain Urges Employees to ‘Take Responsibility’ for Pensions,” *Independent*, January 8, 2008: <http://news.independent.co.uk/uk/politics/article3318510.ece>.

114 Pensions Commission, *A New Pension Settlement for the Twenty-First Century*, 348.



Despite being somewhat paternalistic and rather blunt in its mechanisms, as well as encouraging passivity, automatic enrolment does address a range of factors which influence behaviour. Overall, the deliberations of the Turner Commission provide a successful example which considered the three main influences on behavioural change, rather than focusing primarily on external factors. In particular, the Commission recognised the importance of prevailing social norms in accepting a non-voluntary system, and the potential to overcome knowledge barriers by harnessing the inertia bias. The various elements are depicted in the pensions savings flow diagram (Figure 6).

### TACKLING OBESITY BY PROMOTING SPORT AND PHYSICAL EXERCISE

Efforts to tackle the obesity problem have focused on improving diets and promoting physical and sporting activity. With respect to the latter, current government recommendations state that all adults should be aiming to undertake at least 30 minutes of moderate physical activity five times a week or more. Yet, at present, only 37% of men and 24% of women in England are currently meeting the minimum recommendations for activity in adults and are sufficiently active to benefit their health.<sup>115</sup> While the government's obesity strategy, published in January 2008, acknowledges that culture and individual psychology play a significant role in affecting our decisions about what food to eat and how much exercise we take, policies promoting sport and physical exercise in the UK have focused primarily on addressing external factors, encompassing financial barriers and information and effort accessibility barriers.

#### External adjustments: monetary and effort costs

A number of studies have highlighted the high costs of gym membership as being potentially prohibitive, suggesting that providing **financial** incentives may be a useful option. However, surveys have consistently shown that respondents cite a lack of time, and not financial costs or inadequate facilities, as the most common barrier to undertaking more physical activity. Although now dated, time pressures were highlighted by 43% of respondents to the National Fitness Survey in 1992 and by

36% in the 2001 Health Education Authority Panel Survey.<sup>116</sup> Some 39.3% of respondents in the 2005/6 national "Taking Part" survey stated that being "less busy" would encourage their more frequent participation in sports. Only 11%, by contrast, suggested that cheaper admission prices would encourage them to participate more frequently, and only 2% of non-participants cited "cost" as a reason for non-participation.<sup>117</sup> These findings suggest that effort, or "transaction", costs are a more significant barrier to engagement in physical activity than are financial costs.

The website of the Department for Culture, Media and Sport (DCMS) lists the policies which have been implemented to date in order to raise participation in sport; a selection of activities which focuses almost entirely on improving access to information and facilities, effectively incentivising desirable behaviour by making it easier. For example, it states that by the end of 2006, some £108.5 million had been invested in the development of new and modernised sports facilities, £750 million had been spent to develop new and refurbished community sports facilities in schools, more than £27 million had been invested for the improvement of playing fields and community green spaces, £100 million had been spent to help amateur sports clubs develop the quality of their facilities to help widen access and increase participation and, finally, more than £4.5 million had been spent developing the Active Places database, a searchable website with records of all local sports facilities in England.<sup>118</sup> All such measures aim to make it easier and cheaper to undertake physical activities.

The likelihood of improvements in **facilities**, encouraging a significant uptake in sporting activity, is, however, called into question by earlier efforts: despite some £1.6 billion worth of sports centres being built with lottery money between 1994 and 2003, participation in sport has not risen markedly. Likewise, recent research with young women has found that they did not consider environmental issues, including the provision of facilities, as very important when explaining their

116 Sports Council and Health Education Authority, *Allied Dunbar National Fitness Survey: Main Findings* (London: Sports Council, 1992); M. Hillsdon et al., "National Level Promotion of Physical Activity: Results from England's ACTIVE for LIFE Campaign," *Journal of Epidemiology and Community Health* 55 (2001), 1–6.

117 DCMS, *Taking Part: The National Survey of Culture, Leisure and Sport*. Annual Report (2005/6), 81–2: [http://www.culture.gov.uk/NR/rdonlyres/1ABAD162-F58D-401E-89B4-70C363D4AB61/0/TPMay2007\\_8\\_ActiveSport.pdf](http://www.culture.gov.uk/NR/rdonlyres/1ABAD162-F58D-401E-89B4-70C363D4AB61/0/TPMay2007_8_ActiveSport.pdf).

118 DCMS, "Sporting Facilities": [http://www.culture.gov.uk/what\\_we\\_do/Sport/sporting\\_facilities/](http://www.culture.gov.uk/what_we_do/Sport/sporting_facilities/).

115 DoH, *Choosing Activity: A Physical Activity Action Plan* (London: HMSO, 2005), 5.



current level of sports participation.<sup>119</sup> In this context, although quality facilities are a factor in participation, it appears that investing in them may not offer good value for money when it comes to encouraging people to become more active, and suggests that other behavioural influences are at play.

Related to effort costs is the extent to which the living **environment** – our homes and neighbourhoods – has become conducive to inactive rather than active living, which means that opting for the active choice requires more effort than it would have done in the past. Consequently, initiatives have been developed which seek to make active living more “normal”. For example, Department for Transport strategies, which support increased cycling and walking by improving routes and paths, aim to contribute to an environment that promotes, rather than inhibits, physical activity. Workplace travel plans, for example, constitute a tool which has been utilised to encourage workforce participation in walking and cycling and reduce car dependency. Guidance from NICE explores how to improve the physical environment to encourage and support physical activity.<sup>120</sup>

Finally, with regard to effort costs, a myriad of public **information** campaigns have sought to highlight the importance of physical activity to the public and how to access it. For example, 2004 saw the launch of a £1 million publicity campaign to be aired as part of the run-up to the 2012 Olympics to promote sport and exercise.<sup>121</sup> And in 2005, Sport England rolled out its national “Everyday Sport” campaign which sought directly to inform the public about opportunities for participation.

Analysis of public awareness on exercise requirements, however, produces a rather mixed picture. The majority of people are aware of the need for and benefits of exercise – a study conducted by Wagner et al. found that just 11.4% of participants had either marginal or inadequate health literacy.<sup>122</sup> However, knowledge of specific recommendations

on physical activity is generally poor; the same study showed that only 15% of the sample could identify the “correct” recommendation for physical activity (at least five sessions of 30 minutes of moderate intensity physical activity per week).<sup>123</sup> The 2008 obesity strategy suggests a myriad of policy options related to information accessibility, from providing parents with information of their child’s weight and measurements, to providing clear and simple messages of appropriate levels of physical activity.

### Internal drivers: habits and cognitive processes

In terms of the **framing** of information in simple-to-understand and emotionally appealing ways, the government’s “Choosing Health” strategy focuses on encouraging citizens to make informed choices, including the amount of physical activity they undertake. It does this primarily through information-provision. As part of its cross-government campaign to raise awareness of the links between activity and better health, the health risks of obesity and how to prevent it, including the importance of physical activity in doing so, the DoH has committed to “work with creative media, the relevant sectors, consumer groups, health professionals and others” as well as with other government departments, to agree a “clear and simple set of physical activity messages” and to promote these messages consistently across the public sector.<sup>124</sup> Alongside these messages, a toolbox for sport, physical activity and health is to be produced which will provide a series of user-friendly fact sheets, slides and guidance notes on the latest issues in sport, physical activity and health. More specifically, the government has launched a booklet for parents entitled *Why your child’s weight matters*, which includes information on the National Child Measurement Programme, why maintaining a healthy weight is important, and the steps that parents can take to help their family develop a healthy lifestyle.

A report by Sport England, however, recognises the limits that knowledge or information-based campaigns can have in changing behaviours and claims that up to two-thirds of people display a clear attitude-behaviour gap. It states: “There is evidence to support the idea that many people in the UK are in what might be termed ‘chronic contemplation’ – thinking about doing more physical activity

119 L. Cox et al., “Understanding participation in sport: What determines sports participation among 15-19 year old women?” *Sport England* (2005), 10.

120 NICE, *Promoting and Creating Built Natural Environments that Promote and Support Physical Activity* (London: NICE, 2008).

121 Campbell and Revill, “No. 10 Orders Flabby Britain to Get Fit.”

122 C. von Wagner et al., “Functional Health Literacy and Health-Promoting Behaviour in a National Sample of British Adults,” *Journal of Epidemiology and Community Health* 61 (2007).

123 Hillsdon et al., “National Level Promotion of Physical Activity,” 1–6.

124 DoH, *Choosing Activity*, 10.

but not quite getting around to it. Between one third and two thirds of people are in this stage at any one time.<sup>125</sup> Indeed, the obesity strategy gives a nod to the “psychological conflict” which can make it difficult to change behaviour patterns and to the fact that repetition of everyday behaviours over time can solidify them into habits, which can subsequently become very difficult to change. In recognition of this, the social marketing campaign advocates a preventative approach.<sup>126</sup>

Professor Ken Fox, a leading expert on physical activity, said: “People’s perceptions of whether or not they are any good at sport are set remarkably early in school. Too many label themselves ‘unsporty’ and give up altogether.”<sup>127</sup> This observation highlights the importance of internal or psychological factors in people’s attitudes towards sport and physical activity, and suggests that traditional methods of information provision may be inadequate to influence behavioural change. Psychological barriers related to **personal capacity** might include insecurities about body image, appearing incompetent or unfit and, for women, appearing overly masculine.<sup>128</sup> Although now dated, a National Fitness Survey in 1992 found that 38% of women said that they did not undertake physical activity, as they were “not the sporty type” – and this was the second most cited factor after time pressures.<sup>129</sup>

Studies suggest that more personalised advice can be more effective in altering behaviours, particularly when this involves face-to-face interaction. In recognition of this, the DoH has introduced “General Practice Patient Activity Questionnaires” which are intended to identify and inform adults who are not currently meeting exercise guidelines. This short survey will be used to assign each patient to a category, based on their current activity levels. The categories are to “be used to help decide when advice and interventions to increase physical activity might be appropriate”.<sup>130</sup> This scheme allows for GPs to

offer individualised and face-to-face advice on exercise and its benefits, but nonetheless continues to focus on overcoming an information-based barrier, rather than psychological or cognitive-related barriers to behavioural change.

In relation to **habits** and routinised behaviours, much research, including Sport England’s *Value of Sport Monitor*<sup>131</sup> and the aforementioned “Taking Part” survey, has highlighted the link between childhood and adult participation in sport. The survey revealed, for example, that those who were encouraged to take part in sports as a child had significantly higher recent participation rates than those who were not.<sup>132</sup> Unsurprisingly therefore, the government has focused much of its effort on encouraging physical activity and developing enthusiasm for sports amongst children in schools, who are, to a large degree, a captive audience. The DoH, in conjunction with the DCMS, has committed that by 2008 some 85% of all 5–16-year-olds will spend at least two hours per week on physical education and school sport. The 2006/7 school sports survey found the figure to be 86% compared to the 2003/4 figure of 62%.<sup>133</sup> While research suggests that increasing childhood participation will improve adult participation rates, effectively by freezing a desirable habit, a wide range of, often unexplored, intervening variables (e.g. post-school education, social status of parents, gender, life-course changes) also play a role.<sup>134</sup>

Sport England’s *Value of Sport Monitor*<sup>135</sup> highlights the factors that either facilitate or constrain participation, and, alongside the importance of childhood participation, considers the psychology of motivation, suggesting that sports providers can learn much from theories of attitudinal and behavioural change. It suggests the need to understand more about internal drivers such as self-perceptions (efficacy, competence, control, choice), task-orientation and entity and incremental beliefs about athletic abilities. It also highlights that MacPhail et al.<sup>136</sup> have reinforced some of these theoretical ideas via

125 Charlie Foster et al., “Understanding Participation in Sport – A Systematic Review,” *Sport England* (2005).

126 DoH, *Healthy Weight, Healthy Lives*, 3 and 27.

127 Campbell and Revill, “No. 10 Orders Flabby Britain to Get Fit.”

128 Ibid.

129 Sports Council and Health Education Authority, *Allied Dunbar National Fitness Survey: Main Findings* (London: Sports Council, 1992).

130 DoH, “Policy and Guidance on Physical Activity”: [http://www.dh.gov.uk/en/Policyandguidance/Healthandsocialcaretopics/HealthyLiving/HealthyLivingCentres/DH\\_063811](http://www.dh.gov.uk/en/Policyandguidance/Healthandsocialcaretopics/HealthyLiving/HealthyLivingCentres/DH_063811).

131 “The Value of Sport Monitor,” *Sport England*: <http://www.sportengland.org/vosm/vosm.htm>.

132 DCMS, *Taking Part*, 82.

133 DoH and DCMS, *2006/07 School Sport Survey*: <http://www.dfes.gov.uk/research/data/uploadfiles/DSCF-RBW024.pdf>.

134 See, for example, <http://www.sportengland.org/vosm/vosm.htm>.

135 “The Value of Sport Monitor,” *Sport England*.

136 A. MacPhail et al., “Listening to Young People’s Voices: Youth Sports Leaders’ Advice on Facilitating Participation in Sport,” *European Physical Education Review* 9/1 (2003), 57–73.

group interviews with more than 600 young people, concluding that the climate of youth sport needs to be diverse, inclusive and task-oriented, rather than exclusionary and competitive- (ego-) oriented.<sup>137</sup>

Equally, of course, policies which encourage young people to adopt physical exercise as a habitual part of their daily routine are most likely to be effective, and times of transition during which habitual behaviours can break down are particularly significant points. Transition stages are recognised in a number of studies as a time when drop-out is most likely.<sup>138</sup> Recent research into the participation of young women in sports identified that life transitions have a negative impact on their level of sports participation; this was due to a combination of changing social networks, shifts in identity and changes in external constraints such as having less time.<sup>139</sup> In this sense, although increasing the amount of compulsory time spent on physical activity at school will be beneficial, it may be more effective to encourage young people to partake in after-school activities which have clear post-school pathways, and so more likely to be continued after the compulsory element is removed. Research suggests, for example, that promoting after-school and extra-curricular activities for their post-school participation potential may be important in reducing the opportunity for habitual physical activity behaviours to break down at the transition point between school and employment.<sup>140</sup>

In one area, efforts to routinise habitual behaviours have clearly been considered: the Department for Education and Skills and Department for Transport are providing £7.5 million a year to fund a network of school travel advisers to develop and implement plans which are designed to encourage and enable more sustainable ways of making the journey to and from school, like cycling and walking. Similarly, initiatives have been developed to encourage employers (in the public, private and voluntary sectors) to engage and motivate staff to be more active, making exercise a part of the daily work routine, rather than an additional time and effort “burden”. Both these initiatives are taken forward in the obesity strategy.

137 “The Value of Sport Monitor,” *Sport England*.

138 Ibid.

139 “Understanding Participation in Sport: What Determines Sports Participation Among 15–19-Year-Old Women?” Research Summary, *Sport England* (2006), 10.

140 “The Value of Sport Monitor,” *Sport England*.

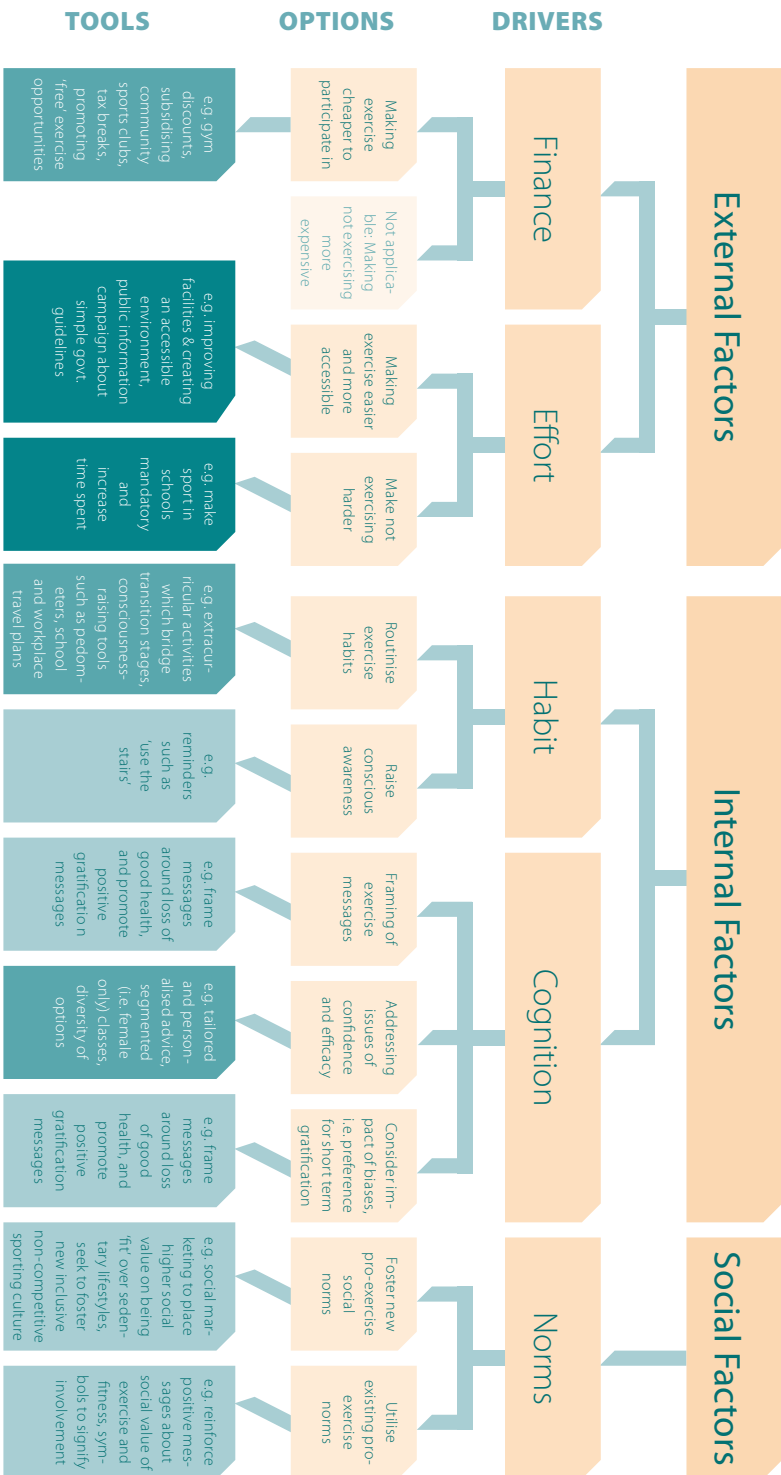


FIGURE 7 INCREASING PHYSICAL ACTIVITY - FACTORS AFFECTING BEHAVIOURAL CHANGE



Further, efforts to promote physical activity amongst young people, in 2005, included the piloting of “Schools on the Move”, which saw nearly 9,000 pedometers (devices to measure how many steps someone takes) distributed to pupils between the ages of 9 and 14, particularly those from deprived areas.<sup>141</sup> Such a policy, which effectively prompts self-reflection and conscious awareness regarding the amount of exercise an individual undertakes daily, may play a role in remaking a habit, by providing children with individualised summaries of their physical activity and encouraging them to increase this total. Similarly, the increasingly common appearance of posters, which encourage employees to use the stairs rather than opt for the lift, seek to raise conscious awareness and encourage the active choice, ultimately aiming to recreate a new “stair-taking” habit. These reminder-based initiatives could be extended significantly across a variety of behaviours.

Despite these efforts, what appears to be missing from the policy agenda, if not necessarily the research base, is a widespread recognition of the significance of internal drivers in choices about physical activity, and especially the potential significance of programmes which seek to develop self-efficacy in order to foster greater participation in sport (as well as the more tried and tested means of raising awareness about the benefits of participation and/or opportunities to do so).

### Social drivers: social norms and attitudes

The government’s physical activity action plan argues that a “culture shift” is needed in order to increase levels of physical activity in Britain<sup>142</sup> and the obesity strategy points to the culture and peer influence in guiding behaviours. As a consequence, the DoH is to launch a “healthy living social marketing initiative” which aims to tackle obesity by systematically applying marketing concepts and approaches to achieve behavioural goals.<sup>143</sup> The Choosing Health White Paper set out the importance of using social marketing to encourage positive health behaviour and committed the Department to developing a social marketing strategy for health in order “to build public awareness and influence attitudes in order to deliver behaviour change in the

long-term.”<sup>144</sup> A National Social Marketing Strategy for Health is to be established, based on work undertaken by the National Consumer Council, and within the DoH, a Social Marketing Development Unit has been established to support work to integrate a social marketing approach into the Department’s key work streams, including physical activity. In a similar vein which focuses on the lessons of traditional consumer marketing, Sport England has developed, using the Mosaic tool from Experian, a set of 19 “sporting segments”, which aim to “understand the nations’ attitudes and motivations – why they play sport and why they don’t.”<sup>145</sup>

The role of social norms in participation in physical activity is important at both the national level and in relation to different segments of the population, but also is important in terms of particular peer groups. Research amongst young women revealed that family and friends were considered to be the most important factors influencing participation in sport, regardless of the level of involvement. Those who were regular participants in physical activity tended to be part of social groups who also regularly participated. This was considered to influence their ongoing high level of involvement in sport. The majority also lived in “active” households where family members were sporting role models and encouraged each other to participate. By contrast, those who never took part in sporting activities tended to belong to social groups which were inactive, giving them a feeling that their social life hindered involvement in physical activity. Many felt that if their friends participated, this might have a positive impact on their own level of participation.<sup>146</sup>

Despite an apparent recognition that it is necessary to empower and motivate people to change their behaviour, as well as provide them with information, the focus of even social marketing campaigns remains most heavily focused on the provision of information, and are grounded in the belief that “confusion” about the facts and conflicting information are a major reason why individuals fail to participate in physical activity. Consequently, the DoH aims to “work with public services, the voluntary sector and industry, ... to channel those

141 BBC News, “Pedometers for ‘deprived’ pupils,” January 24, 2007: <http://news.bbc.co.uk/1/hi/education/6290467.stm>.

142 DoH, *Choosing Activity*, 6.

143 S. Jebb et al., *The “Healthy Living” Social Marketing Initiative: A Review of the Evidence* (Cambridge: MRC Human Nutrition Research, 2007).

144 DoH website, “Social Marketing”: [http://www.dh.gov.uk/en/Policyandguidance/Organisationpolicy/Modernisation/Choosinghealth/DH\\_066342](http://www.dh.gov.uk/en/Policyandguidance/Organisationpolicy/Modernisation/Choosinghealth/DH_066342).

145 Sport England website, “Market Segmentation”: [http://www.sportengland.org/homepage-market\\_segmentation](http://www.sportengland.org/homepage-market_segmentation).

146 “Understanding Participation in Sport,” 6–9.

messages into clear and consistent criteria, using accurate information to meet the needs of the individual".<sup>147</sup> This retained focus on information and enabling "informed choices" may reflect a view of the extent of public acceptability of intervention, and, indeed, the section of the government's website devoted to health and social marketing argues that "it is not a matter for the government to dictate to the individual what they can and cannot consume, or what to do or what not to do. Instead, it is a case of access to information that will show the options of adopting a healthy lifestyle and know the dangers of excess drinking, smoking, taking illegal drugs or having unsafe sex."<sup>148</sup>

There appears to be an opportunity missed here: social attitudes in the UK do not at the present time particularly promote participation in physical activity; and this is not simply because people are ignorant concerning the benefits. Rather, for many, physical activity is not viewed culturally as a "positive" activity. Importantly, there is only limited socio-cultural value placed on undertaking exercise. The extent to which someone is involved in a sedentary lifestyle does not tend to elicit a great deal in the way of social approval or disapproval. Although there is, increasingly, a social undercurrent which disapproves of obesity, this is a new phenomenon, and is focused to a far greater extent on food and consumption than on participation in physical activity. Yet, to a large extent, people reject healthier lifestyles because of the social norms which dictate what kind of life they lead.

Research has shown that people are very sensitive to social norms concerning food consumption and use these to judge what they should be eating;<sup>149</sup> it seems likely that the same is true for patterns of exercise. Likewise, the impact of social and cultural attitudes towards children playing in the street or walking to school on their own may be having a significant influence on the extent of active play in which children are able to engage. We know from research that the extent to which individuals engage in physical activities will be affected by the norms and behaviours of their peers and the wider societal context. A positive move on policy in this direction is signalled in the obesity strategy which states that the government will work with interested

local authorities to galvanise whole communities to take action to change physical activity habits, utilising public commitment and community engagement to affect change.<sup>150</sup> A detailed and considered analysis of social and cultural attitudes towards physical activity would be a positive place to start in any endeavour to address this element of behavioural change.

### TACKLING CLIMATE CHANGE BY DISCOURAGING CAR USE

Transport emissions represent 23% of total carbon emissions, 90% of which come from road transport and 60% of which result from car use. Tackling the UK's dependence on car travel will therefore be crucial to achieving the government's pledge of a 60% reduction in CO<sub>2</sub> emissions by 2050. Yet, over the past 50 years, car use has become central and indispensable in the lives of the majority of UK citizens. As Defra put it: "It is much harder to change unsustainable practices such as excessive car use when this technology is deeply embedded in different aspects of the domestic economy."<sup>151</sup> The issue of car use is further complicated by a lack of clarity around the policy aim: is it about reducing congestion? Or about reducing pollution (CO<sub>2</sub> emissions)? Or is it simply about increasing use of public transport? Policies have been initiated in all these directions, with varying degrees of success.

### External factors: monetary and effort costs

The government's recent efforts to tackle CO<sub>2</sub> emissions from private cars have focused primarily on adjusting external factors in an attempt to make car use more sustainable. Financial measures have both increased the monetary costs associated with driving and provided **financial** incentives for more sustainable forms of transport. The former could be expected to reduce car use, the latter not.

With respect to encouraging more sustainable car use, aimed directly at reducing pollution rather than congestion, the government has used financial incentives to reduce the financial costs of more sustainable methods of transport. Cleaner vehicles are now subject to tax breaks and are exempt from congestion charging. Grants of up to 75% are also available from the Energy Saving Trust, going towards

147 DoH website, "Social Marketing."

148 Ibid.

149 Brian Wansink, "Environmental Factors that Increase the Food Intake and Consumption Volume of Unknowing Consumers," *Annual Review of Nutrition* 24 (2004), 455–79, cited in Jebb et al., *The 'Healthy Living' Social Marketing Initiative*, 18.

150 DoH, *Healthy Weight, Healthy Lives*, 22.

151 Defra, "Building Greater Understanding of the Techniques and Processes Required to Promote Sustainable Waste Management through Behaviour Change Programmes": [http://www2.defra.gov.uk/research/project\\_data/More.asp?l=WR0114&M=KWS&V=Waste](http://www2.defra.gov.uk/research/project_data/More.asp?l=WR0114&M=KWS&V=Waste).

the cost of purchasing or converting to gas or electric vehicles. In November 2001, the Deputy Prime Minister, John Prescott, announced a £69 million package of domestic measures to promote greener vehicles, including £30 million for the PowerShift Programme, £30 million for the Cleaner Vehicles Programme and £9 million to support development of fuel cell and hybrid vehicles.<sup>152</sup> The government's 2002 *Powering Future Vehicles Strategy* set a target of low-carbon vehicles forming 10% of the new car market in the UK by 2012. However, in 2004, only 481 of these vehicles (0.02% of the new car market) had been sold.<sup>153</sup> An ESRC study on the future of incentives suggests that the level of tax concessions needed for the widespread adoption of cleaner car technologies would result in a large drop in tax revenues<sup>154</sup> – not necessarily an appealing prospect for any government. Such moves are reinforced by information campaigns such as the Act on CO<sub>2</sub> website and advertisements which provide tips for drivers on how to reduce engine workload.

Aimed more at tackling congestion than pollution, taxation – particularly on the price of petrol – was for a time considered an effective means of both raising government revenues and discouraging car use. This led to the introduction of the Fuel Price Escalator in 1993; at that time, British fuel was among the cheapest in Europe. Since then, rates of fuel taxation have increased rapidly. Coupled with hikes in world oil prices, the UK now has the sixth highest unleaded petrol price in Europe and the second highest diesel price. But, despite complaints of inaffordability – with mass fuel duty protests in 2000 – the increased costs of driving do not appear to have had the anticipated effect of reducing the number of cars on the road. In fact, the distance travelled by car in the UK increased by 11% during the 1990s and the number of trips per person per year made by car has increased over the same period from 619 to 639 (about 12 per week).<sup>155</sup>

Other financial disincentives have been introduced through the levying of charges in areas of particularly high congestion. The biggest

scheme of this kind is the congestion charge in central London, introduced in February 2003. December 2003 also saw the opening of the UK's first toll-paying motorway, when the M6 toll road was built in an effort to alleviate congestion around the city of Birmingham. Most cities have also introduced substantial charges for parking; between 2005 and 2006, Westminster City Council raised £65.4 million through its on-street parking services.<sup>156</sup> But again, trends indicate that these charges are not necessarily deterring motorists. Indeed, the viability of toll roads relies on the fact that some motorists are quite prepared to pay rather than change their behaviour.<sup>157</sup> The introduction of the congestion charge in London did see a sharp initial reduction in vehicles entering the zone, with decreases of around 25% in the first few days. By 2006, the drop was estimated at 16% compared to pre-charge traffic levels.<sup>158</sup> However, with many more bus lanes and traffic-calming measures, the charge has had little impact on congestion – at least for private cars; a report by Transport for London in early 2007 indicated that there were 2.27 traffic delays per kilometre in the original charging zone, compared with a figure of 2.3 before the introduction of the charge.<sup>159</sup> On the other hand, combined with measures on more bus lanes, it has certainly reduced congestion for buses, which was one of the original aims.

In addition, the adoption of a strategy which forces motorists to shoulder a significant financial burden if they continue to use their cars has been criticised for having socially unequal impacts. Research by the Joseph Rowntree Foundation and the University of Westminster highlights the links between transport policy, access to a car and social inclusion. With access to a vehicle indispensable to many families, the report argues that additional costs will not reduce the number of cars on the road, but will simply increase financial burdens on poorer households; they estimate that the poorest fifth of the population commit up to 24% of their total expenditure to running their car.<sup>160</sup>

152 House of Commons Library Research Paper, *Alternative Vehicle Fuels*, by Brenda Brevitt, February 12, 2002: <http://www.parliament.uk/commons/lib/research/rp2002/rp02-011.pdf>, 34.

153 POST, *Low Carbon Private Vehicles* (London: POST, 2006): <http://www.parliament.uk/documents/upload/postpn255.pdf>.

154 Stephen Potter and Graham Parkhurst, *Taxation Futures for Sustainable Mobility*, Final Report (March 2004): <http://www.psi.org.uk/ehb/projects/potter.html>.

155 National Statistics, "Car use in GB" (2003): <http://www.dft.gov.uk/pgpr/statistics/datatablespublications/personal/factsheets/19992001/factsheet7caruseingreatbritain>.

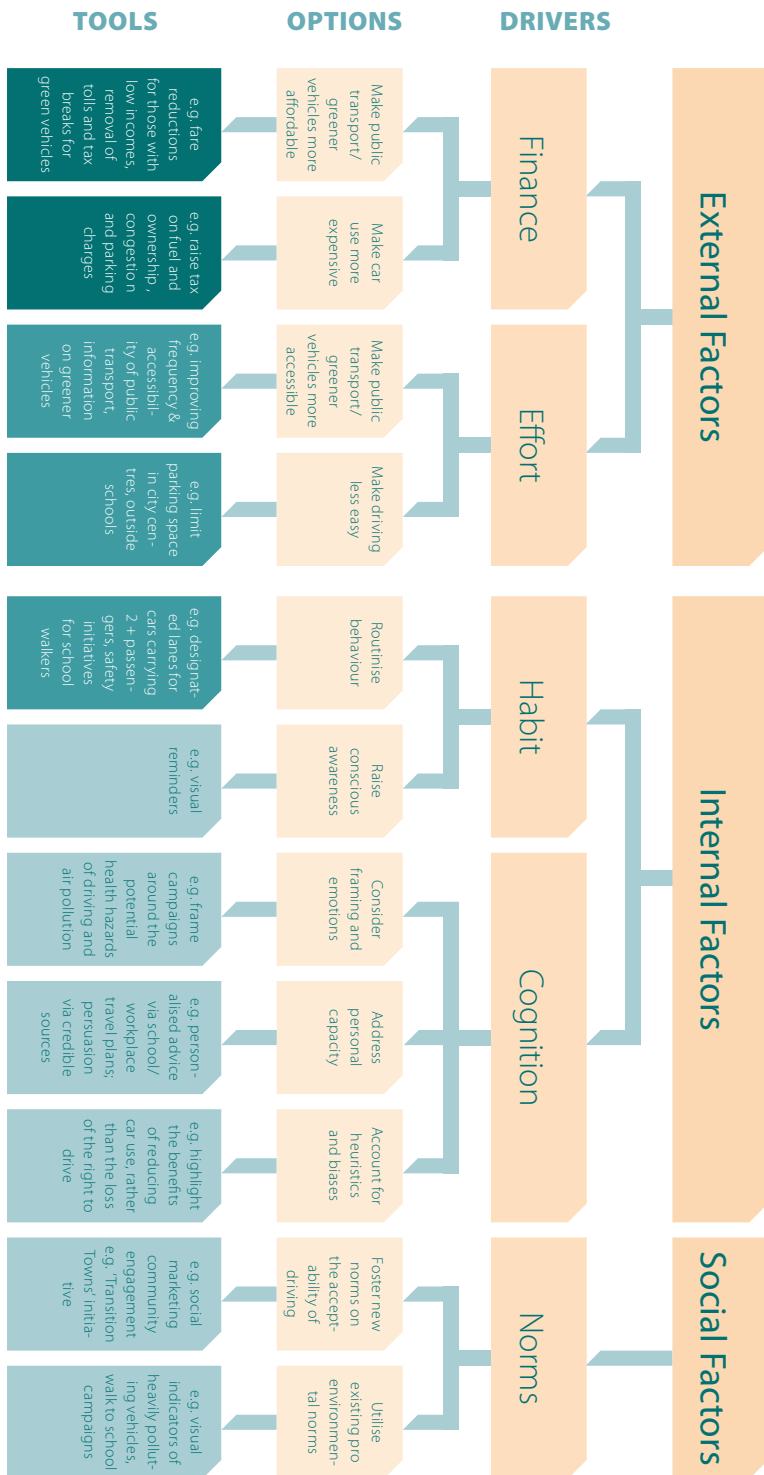
156 City of Westminster, "Parking in Westminster – The Facts," June 21, 2006: <http://www.westminster.gov.uk/councilgovernmentanddemocracy/councils/pressoffice/news/pr3256.cfm>.

157 M6 Toll, "Quarterly Traffic Report," October 9, 2007: <http://www.m6toll.co.uk/newsdetail.asp?id=82>.

158 Transport for London, *Central London Congestion Charging Impacts Monitoring – Fifth Annual Report* (London: TFL, July 2007).

159 BBC News, "Congestion Charge 'Not Working,'" November 23, 2007: <http://news.bbc.co.uk/1/hi/england/london/7109727.stm>.

160 Joseph Rowntree Foundation, "Policies Against Car Congestion 'Hit Low-Income Motorists Hardest,'" Press release, July 4, 2001: <http://www.jrf.org.uk/pressroom/releases/040701.asp>.



Finally, much investment has focused on incentivising more desirable behaviours by trying to provide an affordable and accessible alternative to the car in the form of public transportation – making the desirable option cheaper and easier. A Defra survey found more than half of respondents agreed with the statement: “I would like to reduce my car use but there are no practical alternatives.”<sup>161</sup> This suggests that people are either unaware of alternative forms of transportation or, perhaps more likely, do not consider them viable alternatives to the convenience of the private car. The government has therefore sought to promote the use of public transport with fare reductions aimed to make it more affordable: young people, students, pensioners and – more recently – those on low incomes are now eligible for reduced fares. In 2008, Transport for London also announced that all single fares would be frozen, following complaints about the non-affordability of London’s travel network.<sup>162</sup>

Efforts to incentivise the use of public transport have also highlighted the need for government to address the non-monetary, or **effort costs**, of sustainable travel. The Department for Transport’s “10 Year Plan” has addressed this by aiming for an “integrated” transport system, designed to improve efficiency and accessibility. The report states that, with a budget of £29 billion, “improving links with other forms of transport – through bus/rail interchanges, park and ride schemes, new links to airports and better facilities for cyclists and pedestrians – will ... take priority”.<sup>163</sup> This approach has been coupled with a predictable focus on the provision of information. The Department for Transport lists numerous public-awareness initiatives of this kind – for example, in the promotion of sustainable travel plans for schools and workplaces, and efforts to promote alternatives such as cycling through Bike Week.<sup>164</sup>

In terms of making cars less polluting, regulation at the EU level have been effective, and removed the need for effort on behalf of the consumer – the European standards on vehicle emissions, introduced

161 Defra, *Survey of Public Attitudes and Behaviours Toward the Environment: 2007* (London: Defra, 2007): <http://www.defra.gov.uk/environment/statistics/pubatt/download/pas2007report.pdf>.  
 162 BBC News, “Mayor Freezes Single Travel Fares,” October 30, 2007: <http://news.bbc.co.uk/1/hi/england/london/7068282.stm>.  
 163 Department for Transport, *Transport 10 Year Plan 2000*: <http://www.dft.gov.uk/about/strategy/whitepapers/previous/transporttenyearplan2000?page=9#a1016>.  
 164 Department for Transport, *Sustainable Travel*: <http://www.dft.gov.uk/pg/sustainable/>.

FIGURE 8  
REDUCING CAR USE - FACTORS AFFECTING BEHAVIOURAL CHANGE

Much used  
Less used  
Shading indicates extent of current policy initiatives

in 1992, have been a “primary driver for improving engine management and fitting catalytic converters to exhaust pipes”<sup>165</sup> – though they have not aimed to reduce car use in absolute terms. Voluntary agreements too – for example, by the Association of European Automobile Manufacturers – have been instrumental in reducing emissions from cars. These developments have meant that, while car use has increased over the past decades, carbon emissions have remained steadier as a result of increases in fuel efficiency. In a recent speech, former environment secretary, David Miliband, argued that Britain could “reduce emissions from new cars by 30% if all consumers bought the most fuel efficient vehicle in its category”.<sup>166</sup>

### Internal drivers: habits and cognitive processes

Consideration of internal factors in discouraging car use appears to be very limited; yet a number of fruitful avenues might be considered for further work. For example, our tendency to loss aversion suggests that people may be deterred by any efforts framed as encouraging us to “give up” our cars, viewing restrictions on their right to drive as a “loss”. There may be benefits to a long-term strategy which discourages people taking up the car-based option in the first place, rather than seeking to discourage them after they have become used to it, or which highlight the positive benefits of going without a car (similar to those which encourage smokers to view giving up as a gain rather than a loss).

Equally, engagement with the impact of habits on car use behaviour appears to be limited, despite apparent scope in this area. Half the respondents to the aforementioned Defra survey agreed with the statement: “When I get ready to go out, I usually don’t think about how I am going to travel, I just get in the car.”<sup>167</sup> This response points to the significant extent to which car use may be governed by habitual reliance rather than conscious choice. Even if people are aware of reasons to reduce their car use and of the presence of alternative means of transport, habitual reliance on the private car may be a significant factor in reinforcing undesirable behaviours. Efforts to force people to re-evaluate habitual behaviour have been rather limited in scope.

165 POST, *Low Carbon Private Vehicles*.

166 David Miliband, “The Transition Economy: A Future Beyond Oil?” The Dr S. T. Lee Lecture on Public Policy at the University of Cambridge: March 5, 2007: <http://www.defra.gov.uk/corporate/ministers/speeches/david-miliband/dm070305.htm>.

167 *Ibid.*, 61.

One area in which initiatives have been established and are proving successful is in reducing the use of the car for the school run. Walk to School initiatives have been piloted in hundreds of primary schools, and now have the support of over 65% of local authorities, reaching 1.5 million pupils.<sup>168</sup> Generally, however, the impact of habits on car use remains an area of under-research, but which could be a fruitful avenue of investigation for policymakers.

### Social factors: social norms

The continuing public unease about the government’s attempts to restrict car use through tougher regulation and increased charges and taxation reflects the extent to which the public does not accept responsibility for reducing car use, even where they accept the seriousness of the problem. The recent Defra survey found that around half of respondents disagreed with the statement “People should be allowed to use their cars as much as they like, even if it causes damage to the environment” and 52% now believe that using their cars less would have a “major impact” on the UK’s contribution to climate change.<sup>169</sup> On the other hand, a quarter also *strongly* disagreed with the statement: “For the sake of the environment, car users should pay higher taxes.”<sup>170</sup> Unlike the pensions example, where public opinion favours the introduction of an element of compulsion, in the case of car use even manipulation of external levers is much disputed, and attempts at government intervention in this area have elicited much criticism.

While people do appear to expect leadership in this area in acknowledgement of the scale of the problem, they have not accepted personal responsibility for solving it, and financial levers have had limited impact, in the face of pro-car attitudes. Karen Lucas argues that “the right to drive is too much a personal freedom in Western society for politicians to think about trying to interfere.”<sup>171</sup> Media commentators also make frequent reference to the UK’s “car culture”; as David Aaronovitch puts it: “We have a cultural problem here, a

168 Living Streets, “Walk to School Campaign”: [http://www.livingstreets.org.uk/what\\_living\\_streets\\_do/walk\\_to\\_school.php](http://www.livingstreets.org.uk/what_living_streets_do/walk_to_school.php).

169 Defra, *Survey of Public Attitudes*, 46.

170 *Ibid.*, 66–7.

171 EurActive.com, “Reducing Car Use is a Hot Potato,” says UK researcher Karen Lucas,” August 31, 2004: <http://www.euractiv.com/en/transport/reducing-car-use-hot-potato-uk-researcher-karen-lucas/article-129748>.

problem of mass preference, the consequences of which – as ever – we would rather blame on the authorities than on ourselves.”<sup>172</sup> People have proved unwilling to accept personal responsibility, with all the inconveniences it raises. The widespread use of cars has established a sense of personal entitlement to mobility. Policy measures viewed as coercive or intrusive, such as satellite tracking, therefore meet with resistance. The government’s road-user charging proposals, which would have seen all vehicles fitted with a satellite receiver to calculate charges according to the distance they travel, triggered a powerful backlash: 1.8 million people signed a petition in protest.

The Walk to School campaign is, however, one example of an initiative which aimed to break habits by fostering a new norm among a segment of the population – in this case, schoolchildren. The campaign’s success has been down to simple but effective techniques. The award-winning Footprints scheme in Nottingham is one example which encouraged children to make a pledge to walk to school, with those who did given stickers to reward their commitment.<sup>173</sup> This method created a new norm within children’s peer groups, encouraging those whose parents continued to drive to persuade their families to act.

To encourage the general public to accept individual responsibility for reducing their reliance on the car is likely to take many years, if not decades, requiring, as it does, the framing of new norms and an entirely reconfigured arena of debate. As the evidence presented in chapter 2 suggested, an effective means of generating desirable social norms could involve “tapping into” common goals and existing values of commitment and reciprocity. In Germany, for example, where the Green Party and environmental issues already play a prominent role in national politics, new rules for motorists may be able to harness the power of existing pro-environmental sentiment. From the start of January 2008, drivers entering designated “environmental zones” in Berlin, Cologne and Hanover have to display a coloured sticker on their vehicle, indicating the pollutants it emits. With the worst offenders marked with a red badge, these visible indicators may shame drivers into purchasing more fuel-efficient cars. The most polluting vehicles

may also face restrictions on entering the city centre if levels of air pollution are particularly high.

In the UK, the government faces the potentially more demanding task of initiating debate on the merits or drawbacks of certain behaviours. In a recent speech, the former environment secretary, David Miliband, referred to an approach adopted by the Swedish Government. There, a Commission on Oil Independence aimed to highlight the benefits of opting for more sustainable transport – not simply telling people *how* to travel more sustainably, but emphasising why they might *want* to. According to Miliband, the Commission was “driven by a concern about the impact of oil prices on Sweden’s economic growth and employment, by the impact of oil on peace and security across the world, and a desire to gain a first mover advantage in new environmental markets”.<sup>174</sup> In sum, it appears that a concerted attempt will need to be made to alter societal norms and cultural attitudes towards car use in the UK if any serious attempt at behavioural change is to be implemented – social marketing could well have a role to play in initiating such changes.

## CONCLUSION

The preceding scanning of policies aimed at increasing participation in physical activity and reducing car use has highlighted the lack of a systematic consideration particularly of internal and social factors. By contrast, the pensions example positively demonstrates the importance of internal and social drivers, and how they can be applied to policy, alongside the more traditional external approach.

In each policy area, a diagrammatic representation of the framework demonstrates where work remains to be done and highlights where efforts to date have been concentrated. Each offers a starting point for the consideration of behavioural factors in a more systematic and holistic way, which does not reject external drivers but, rather, supplements that approach.

172 David Aaronovitch, “Put the Car Culture into Reverse,” *Independent*, November 27, 2001: <http://www.independent.co.uk/opinion/commentators/david-aaronovitch-put-the-car-culture-into-reverse-618198.html>.

173 Walk to School 2008, “Nottingham Wins National Award for Footprint Scheme,” November 6, 2007: [http://www.walktoschool.org.uk/content/media\\_news.php?articleshow=123](http://www.walktoschool.org.uk/content/media_news.php?articleshow=123).

174 Miliband, “The Transition Economy.”



## Summary of key messages

- A holistic approach to the policy challenge of pensions savings reveals the potential for auto-enrolment to provide a positive solution, taking account, as it does, of internal behavioural drivers. It also reveals the importance of continuing to address information barriers by framing information in an appealing way, as well as the failure of policies to date systematically to consider the influence of social norms on savings behaviour.
- A holistic approach to the policy challenge of increasing participation in physical activity also reveals a policy focus on traditional external tools such as investment in facilities to address effort barriers alongside relatively ineffective information provision. Despite recognition in the policy community of the importance of internal and social drivers in changing exercise behaviour – for example, issues of confidence, habit breakdown in transitional life stages and the importance of peer-group attitudes – policies have not systematically applied these insights.
- A holistic approach to the policy challenge of reducing car use reveals that strategies to date have focused almost exclusively on external financial and effort factors, with limited success. This may well be because more needs to be done to provide the appropriate incentives framework. But despite some limited attempts to influence habitual behaviour, a consideration of internal drivers is noticeably absent and efforts, or even acknowledgements, of the need to challenge the impact of social norms on car use behaviour are few and far between.

## CONCLUSIONS AND RECOMMENDATIONS

Governments are effective at making use of a range of traditional policy tools to influence people's behaviour. These traditional tools have included legislation, sanctions, regulations, taxes and subsidies, the provision of public services and facilities, and information and guidance material. In many areas, this range of traditional tools works well, but for some of the most pressing social policy challenges, these traditional mechanisms will be insufficient. Behavioural economics offers many insights, particularly in regard to internal influences on behaviour such as the role of habits and internal biases, and the significance of social and cultural norms. These influences help to explain the limited effectiveness of traditional approaches and highlight the potential of other options and policy tools.

In order to make best use of the lessons from the literature on behavioural economics and behavioural change more broadly, we recommend that policymakers at all levels **acknowledge their habitual and socially embedded reliance on traditional tools based on too narrow a reading of the rational actor model.**

Instead, policymakers should **routinely and systematically consider the multidimensional influences on behaviour, including internal and social drivers of behaviour, alongside more traditional external mechanisms.**

Central government should **seek to disseminate an awareness and understanding of the full range of drivers of behaviour to the policy community and specifically to mainstream behavioural economic thinking, including dissemination to local government and the third sector.**

Behavioural economics is an empirical science. As Daniel Read points out, this means "its premises provide a less definite guide to policy, than do the axioms of economics. This does not mean that it is a *worse* guide since, as Thaler (e.g. 1980) has often observed, the predictions from economics are elegant but often wrong, while those from behavioural economics are messy but more likely to be accurate."<sup>175</sup> In fact, the empirical focus of behavioural economics sits very well

alongside the dominant evidence-based policymaking approach of modern government. Government, especially **local government**, is in an advantageous position to run small-scale field experiments to evaluate the consequences of new policies.<sup>176</sup> It is a natural environment in which innovative and forward-thinking policymakers will be able **to pilot, experiment and evaluate policy initiatives which take on board the lessons of behavioural economics**, and central government should firmly encourage them to do so.

The need for evidence-based policy raises a pertinent question as to how government can get better at balancing the long-term horizons required by behaviour change with short-term pressures to show political results. Indeed, Benjamin and Laibson recognise this issue and the lack of an easy solution: "Of course, [the policymaker will have] a sense of urgency and is likely to resist the idea of waiting for a year or more to know the outcome of a field experiment. We think that in most cases politicians should swallow hard and accept such delays."<sup>177</sup> This message is as true of initiatives which incorporate behavioural economic learning as it is of other evidence-based policy, and points to a need for politicians to follow their warm words about evidence with a patience which backs them up; and for policymakers **to be firm in their commitment to the principle of empirical research evidence as a precursor to reform.**

In relation to pensions, automatic enrolment is a positive solution which effectively recognises the complex drivers of behaviour, but it should not lead to inertia with regard to promoting and providing information about pensions and more general savings. In particular, it will be important that **social attitudes to pensions be monitored to detect any parallel change in attitudes of personal responsibility for retirement income and other savings.** The limitations of a one-size-fits-all default must be recognised and **efforts made to encourage people to move away from the default in favour of more tailored solutions.**

<sup>176</sup> D. Benjamin and D. Laibson, "Good policies for bad governments: behavioural political economy." Paper presented at Federal Reserve Bank of Boston Behavioural Economics Conference, June 2003, (2003), 32, as cited in Read, "Behavioural Economics," 8.

<sup>177</sup> Ibid.

<sup>175</sup> Read, "Behavioural Economics," 5.





Strategies to combat car use have focused almost exclusively on financial incentives and deterrents, combined with provision of basic information on greener alternatives to car travel. What has yet to be tackled is the root cause of the problem: the deeply embedded habits which have transformed the UK into a “car culture” over recent decades and have made the majority view access to their cars as indispensable. **Increased use of visible reminders, public pledges and commitments and community engagement could highlight personal responsibility for the problem and, ultimately, establish new social norms.** The debate itself could benefit from being reframed, highlighting the numerous benefits of overcoming car-dependency, rather than encouraging people to “do without” their cars.

In relation to participation in physical activity, despite clear evidence as to the importance of internal and social influences on decisions about participation in sport, in particular **the importance of peer-group attitudes and the role of habit in maintaining activity beyond school**, policies have to date focused substantially on facilities-investment and information-provision. Policymakers should adopt their approach to recognise the limits of the existing approach.

More work will be need to identify the appropriate way forward in each of these three policy areas, and others, in a way that recognises the insights of behavioural economics. The SMF intends to continue to contribute to this important debate and identify workable solutions.



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