



# BEHAVIOURAL APPROACHES IN OECD COUNTRIES: PRACTICES, CHALLENGES AND BUILDING TRUST

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14 October 2014



# Context – Starting Point



“The global financial and economic crisis has uncovered major failings in governance and regulation, which have undermined trust in public and private institutions alike. Amid ongoing economic uncertainty, establishing a well-functioning national regulatory framework for transparent and efficient markets is central to re-injecting confidence and restoring growth.”

Angel Gurría  
Secretary-General of the OECD



# Context of Report

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## Regulatory Policy and Behavioural Economics

Pete Lunn





# UK Behavioural Insights Team



## Applying behavioural insights to reduce fraud, error and debt

Risk sector fraud, error and debt cost the UK government billions of pounds each year, costs which are borne by law-abiding taxpayers and firms. Insights from behavioural science can help an organisation (or the government) design to reduce the cost and the tax gap.


This document is intended to help those who administer systems to tackle fraud, error and debt to identify practical interventions, while making room for creative and firm to comply.

 CabinetOffice  
Behavioural Insights Team

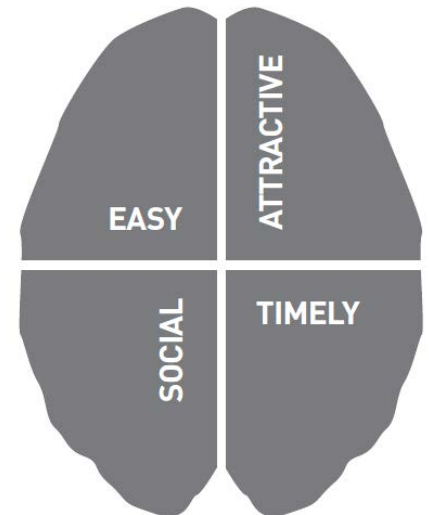
## Test, Learn, Adapt:

Developing Public Policy with Randomised Controlled Trials

Laura Haynes  
Owain Service  
Ben Goldacre  
David Torgerson

 CabinetOffice  
Behavioural Insights Team

- Internal unit of behavioural researchers based in the UK Cabinet Office... now “spun out”
- Designs behaviourally informed policies and conducts experiments and trials
  - Fine collection
  - Subsidised loft clearance
- Empirical approach integrates policymaking and evidence gathering
- Some general principles emerge





# Examples in Publication



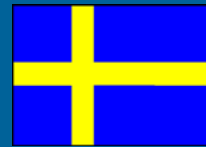
DG SANCO  
Joint Research Centre



Productivity Commission



Competition and Consumer Agency  
iNudgeyou



Swedish Consumer Agency



GreeNudge



Centre d'analyse stratégique



Office of Fair Trading  
Financial Conduct Authority



Consumer Financial  
Protection Bureau



- Over 60 behaviourally informed policies cited in review as a whole
- Many events designed to raise awareness of behavioural principles among policymakers
- Influence of BE is often *implicit* rather than *explicit*



# Application of Behavioural Science in Improving Policy Effectiveness

## Simplification of information

“know before you owe”  
simplified information disclosure for mortgages, credit cards and student loans, Consumer and Financial Protection Bureau, USA

## Defaults and Convenience

“Kiwisaver”  
Auto-enrolment in 2007 led to 50% pension coverage increase, New Zealand

## Salience and Attention

Reduction in alcohol purchases by tax made salient on price tag vs. equivalent tax levied at the till (Chetty, Looney & Kroft 2009)

## Debiasing and Decision Quality

US Fuel Economy Labels – regulation by US Environmental Protection Agency to have gallons per 100miles and annual fuel cost labels in addition to miles per gallon. (Larrick and Soll 2008)



# Understanding (risk) behaviours for Policy Makers: Fairness and Individuals

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1. People are capable of acting against their own financial interests where they perceive unfairness (risk negative consequences through non-cooperation)
2. Most individuals are generally willing to incur costs for the greater good provided they are confident that others are doing the same.



# Regulators view: Can THEY be trusted?

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In 2009 HM Revenues and Customs in the UK also conducted research into segmenting their market to increase compliance and reduce the cost of non compliance (HMRC, 2009). They found that the four possible dimensions of segmentation were awareness of one's obligations, motivation to comply, ability to comply and opportunity not to comply.

They found that

- ✓ 8% of their regulated subjects were unaware;
- ✓ 12% were reluctant conformists;
- ✓ 4% were “dodgers”;
- ✓ 18% needed help; and
- ✓ 58% were willing conformists





## Behavioural Insights: in the future

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- What is scope and challenges for behaviourally informed risk regulation?
- How can behavioral insights be used in different types of regulatory interventions?
- Is behavioural economics more relevant for regulatory agencies in implementation than in regulatory design?