



Behavioral Economics and Human Services

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Two Views of Human Behavior

Traditional view (neoclassical economics):

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



Behavioral view (behavioral economics):

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



What is Behavioral Economics?

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

What is Behavioral Economics?

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

Illustrative Behavioral Economics Principles

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



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



- ❖ Small factors can have an outsized impact – *channel factors, hassle factors*



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



- ❖ People are more motivated by losses than by gains – *loss aversion*



Psychology of Scarcity

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



BIAS Interventions

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

BIAS Publications

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

BIAS Next Generation

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



Questions, Comments, Curiosity?

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Behavioral Diagnosis and Design

