

# Applying Behavioral Economics to Child Support Programs: **BIAS Project**

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# Overview of presentation

1. Introduction to Behavioral Economics
2. Goals of the BIAS Project and the Behavioral Diagnosis and Design Approach
3. Example of Applying Behavioral Economics to Child Support Programs
4. Discussion

# A new perspective on human behavior

## Traditional view (neoclassical economics):

- Well-informed
- Stable preferences
- No problems with self-control
- Completely self-interested
- Good at making decisions that maximize well-being

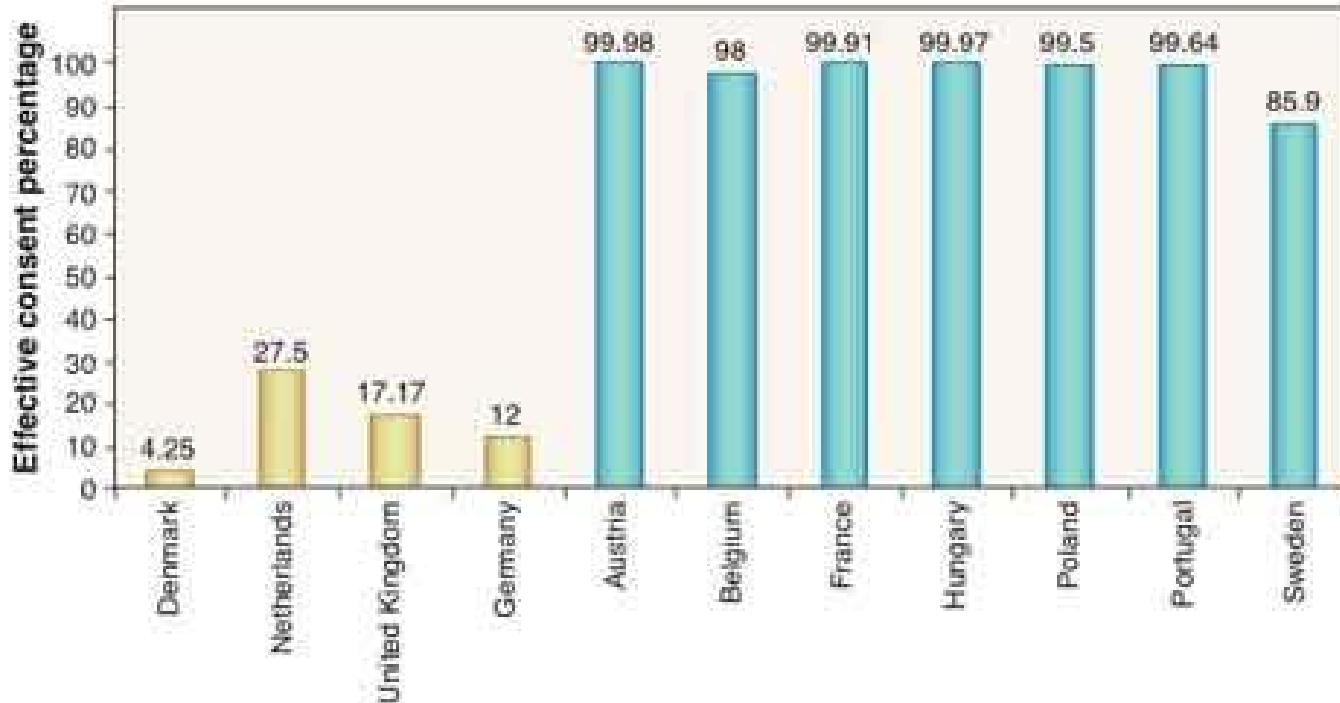


## Behavioral view (behavioral economics):

- Limited cognition
- Imperfect self-control
- Shifting preferences
- Procrastinate
- Choice overload
- Mental shortcuts
- Small factors can influence big decisions
  - Framing
  - Hassle factors



# Why do organ donation rates differ dramatically around the world?



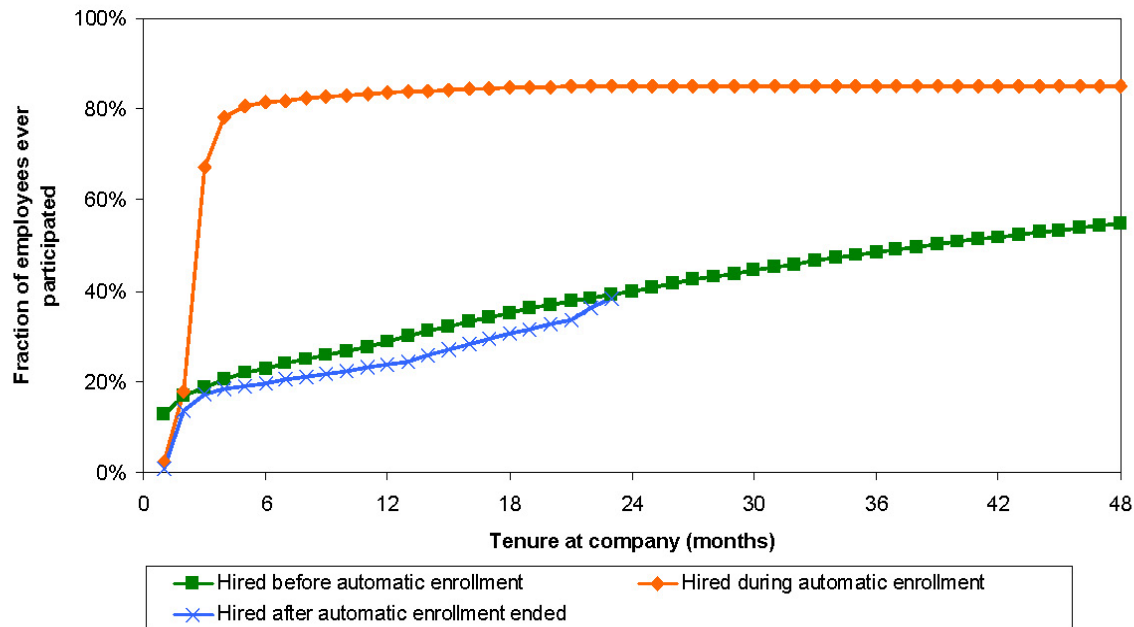
Effective consent rates, by country. Explicit consent (opt-in, gold) and presumed consent (opt-out, blue).

# Why aren't people saving for retirement?

Automatic enrollment effect

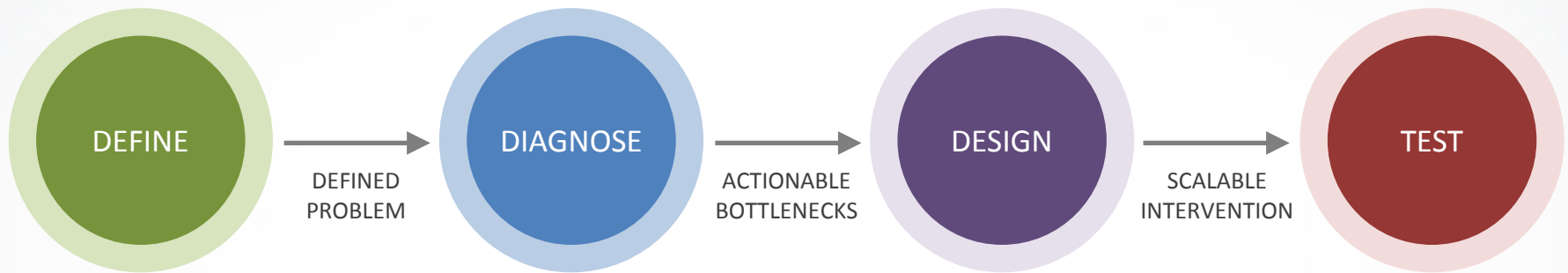
**Automatic enrollment dramatically increases participation.**

401(k) participation by tenure at firm: Company B

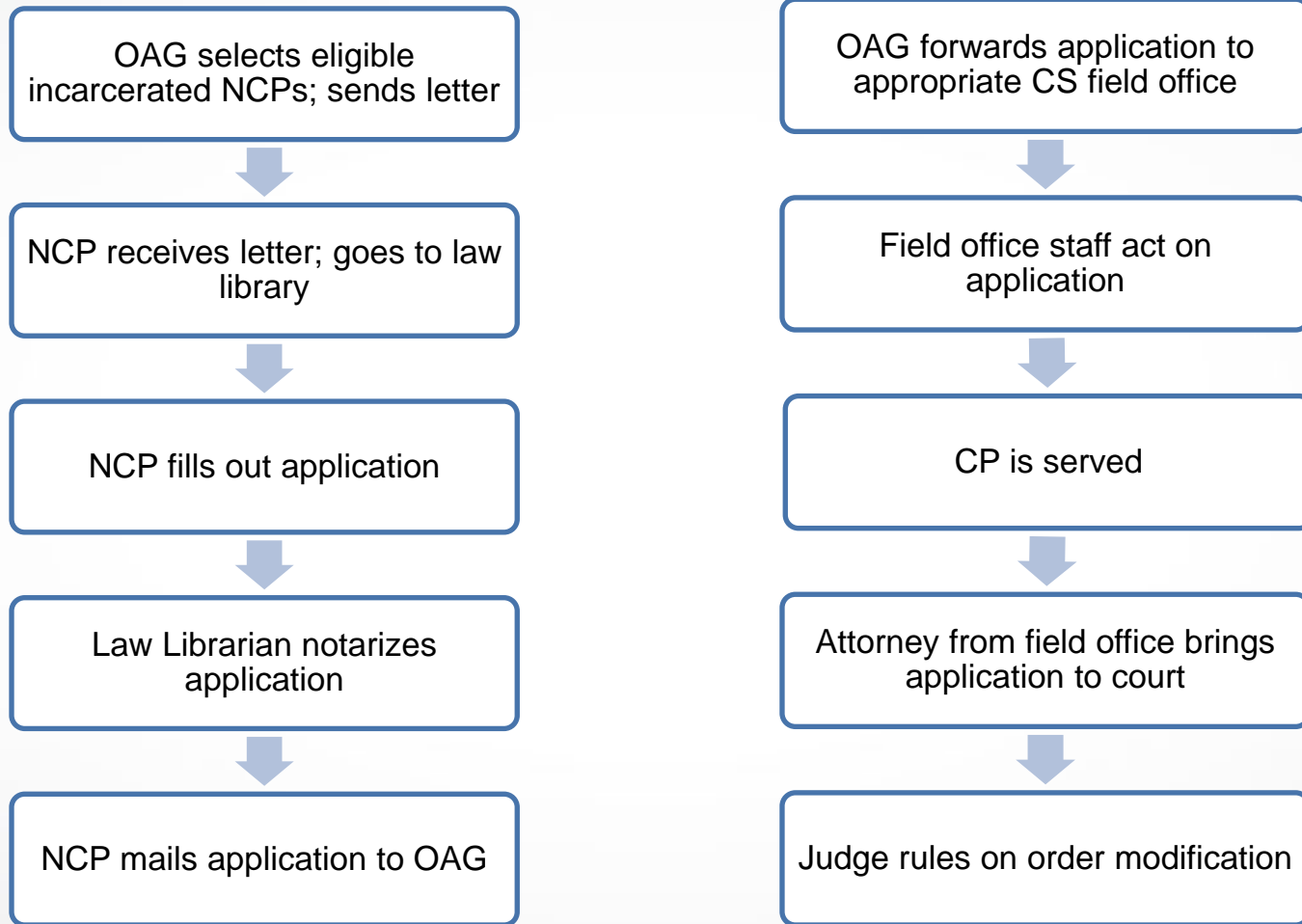


(Choi, Laibson, Madrian, and Metrick, 2004)

# BIAS Pilot Tests



# Example: Incarcerated NCP Program

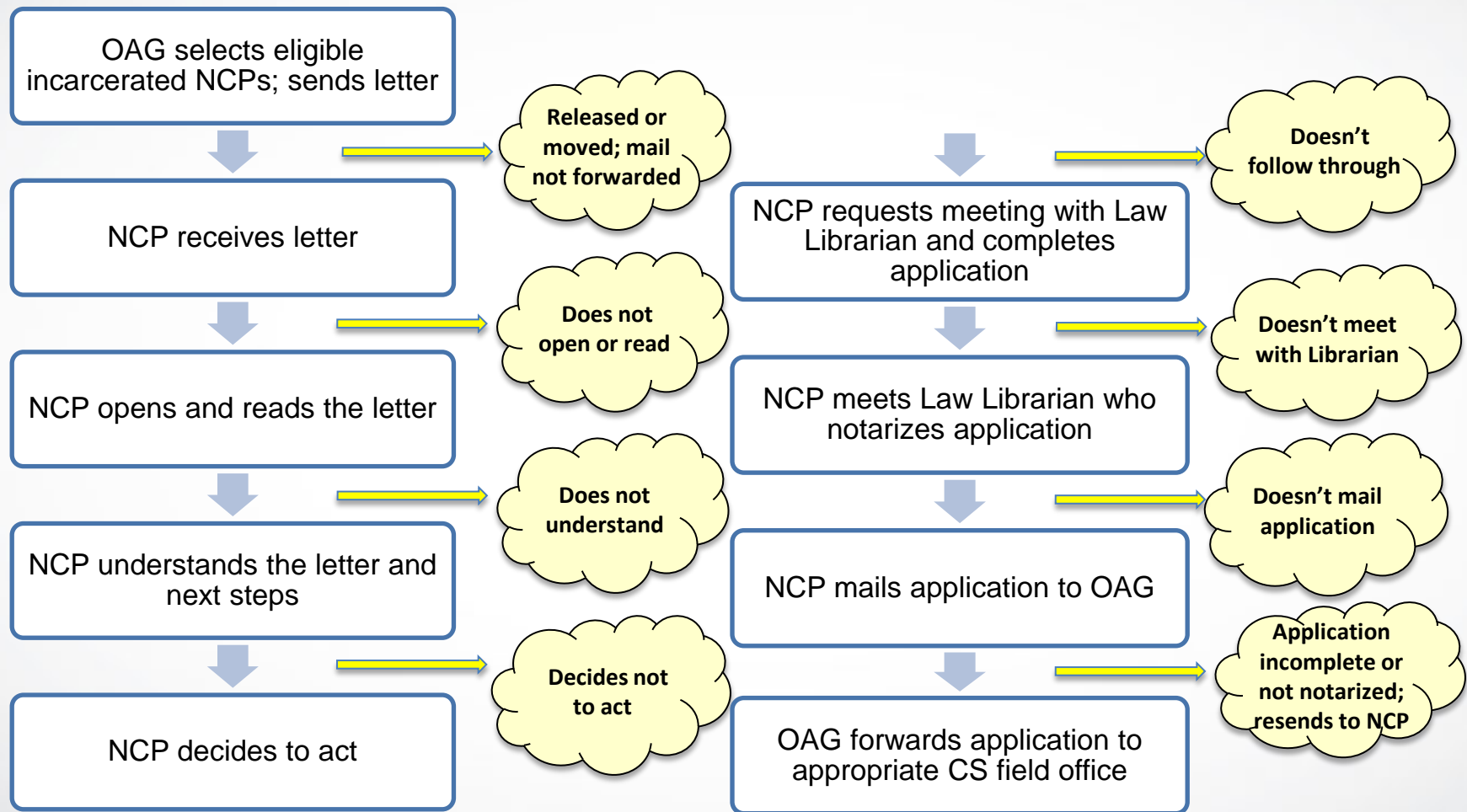


# Step 1: Define Problem

- In 2011, OAG sent out 868 letters and received 266 responses (31%). Of these, 20% received modifications.
- Can the response to the program be improved with a behavioral intervention?



# Step 2: Diagnose Incarcerated NCP Program Bottlenecks



# Underlying Behavioral Concepts – Texas Child Support

- Limited Cognition
  - Simplify the letter and the application form
- Present Bias
  - Emphasize present costs, not future costs
- Hassle Factors and Channel Factors
  - Include all necessary forms
  - Include a return envelope
  - Include a checklist
- Social Norms
  - Emphasize that other NCPs have had their orders modified
- Framing
  - Prime identity as a parent rather than identity as a prisoner
- Loss Aversion
  - Emphasize that NCPs are losing money by not acting
- Ostrich Effect
  - Take official OAG logo off of envelope
- Emotion
  - Avoid unnecessary references to custodial parent

## Step 3: Design

- Sent teaser postcard
- Changes to letter:
  - Printed on blue paper
  - Simplified reading level
  - Removed the reference to the custodial parent
  - Inclusion of a checklist to support plan-making
- Changes to the application:
  - Pre-populated with information available to OAG
  - Wording changes to increase clarity
- Reminder Postcard to NCPs

## Step 4: Test

- Targeted Texas child support regions that had not yet received letters
- Developed list of 1,904 individuals eligible
- Randomly assigned list, stratifying by state facility (105 facilities)

# Test (cont'd)

- OAG tracking outcomes over 4 months for both groups:
  - Primary outcomes of interest: Application is submitted to the OAG; Application is forwarded to child support office for processing (rather than being sent back for more information)
  - Secondary outcomes: Child support order with downward modification; Average reduction in child support order amount
- Impact = difference between two groups' outcomes

# Applying Behavioral Economics to TANF: Questions for the Audience

1. Is there an outcome where there is room for improvement in your TANF program?
  - For example: engagement in work activities, redetermination
2. Possible bottlenecks?
3. Potential behavioral economics interventions?

# For more information about BIAS

**OPRE**

<http://www.acf.hhs.gov/programs/opre>

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