Behavioral Economics Research and Human Services

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Administration for Children and Families
HPOG Annual Meeting
February 17, 2016
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

February 17, 2016
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 offers an alternative to 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 to some extent **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

February 17, 2016
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.
The Behavioral Interventions to Advance Self-Sufficiency (BIAS) project

BIAS seeks to answer the question:

How can behavioral economics apply to human services policies and programs?

The purpose of the BIAS project is to apply insights from behavioral economics to issues related to ACF programs by designing and testing behavioral interventions.

The ultimate goal is to learn how insights and tools from behavioral science can be used to improve the well-being of low-income and vulnerable children, adults, and families.

February 17, 2016
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 attendance at TANF reengagement appointments (LA)
  - Increasing attendance at Paycheck Plus information meeting (NYC)
Behavioral Diagnosis and Design

Define
- Articulate problems of interest

Diagnose
- Gather data for process map and identify bottlenecks

Design
- Propose behavioral interventions to address bottlenecks

Test
- Ideally conduct Rapid Cycle Evaluation using random assignment
Texas Office of the Attorney General Child Support Division wanted to increase the number of incarcerated noncustodial parents who apply for child support order modifications

- Incarcerated parents have limited ability to pay their child support orders
- One study found that the average incarcerated obligor parent leaves prison with $20,000 in arrears
- Significant arrears can pose a serious barrier to re-entry into society and regular employment and ability to support child after release
- Incarcerated parents in Texas may apply to reduce their monthly child support payment, but only 31% of inmates who were sent a letter informing them of their ability to apply for an order modification completed the request for modification
Texas Child Support - DIAGNOSE

- OAG sends letter
- NCP receives letter
- NCP opens the letter
- NCP reads the letter and understands next steps
- NCP decides to act
- NCP fills out application
- NCP requests a meeting with the law librarian
- NCP meets with law librarian
- NCP notarized and filled out form correctly
- NCP mails form to OAG

- Does not open (affective response, ostrich effect)
- Does not read or understand (deliberation costs, cognitive load)
- Decides not to act (identity, affective response, psychological distance)
- Does not act (present bias, hassle factors, prospective memory failure)
- Does not attend meeting (hot cold empathy gap)
- Does not complete and mail form (prospective memory, hassle factors)
Texas Child Support - DESIGN

Does not open (affective response, ostrich effect)

Does not read or understand (deliberation costs, cognitive load)

Decides not to act (identity, affective response, psychological distance)

Does not act (present bias, hassle factors, prospective memory failure)

- Remove OAG return address
  - Send a teaser postcard

- Lower reading level
  - Include a checklist “Four Easy Steps”

- Emphasize parent identity, not prisoner identity
  - Emphasize money lost by not acting
  - Use social influence - “Other parents have already gotten their orders reduced”

- Pre-populate sections of the application
  - Send a reminder

February 17, 2016
Can your child support order be lowered?

Name of Incarcerated parent
TDCJ No.12345678 / OAG No. 0009415412
Unit/Address
City/State/Zip Code

Dear Incarcerated Parent,

Your child support obligation (how much you are ordered to pay by the court) does not automatically stop or change when you become incarcerated. While you are in prison, your unpaid child support, along with interest continues to add up.

Due to the change in your circumstances (incarceration), you may be eligible for a modification of your child support payment. This means that the court may lower your monthly child support and/or medical support obligation.

If you are interested in having your child support possibly lowered, please completely fill out the attached application. Upon receipt of your application, our office will contact the other parent (custodial parent) on your child support case to notify them of this process and to ask them for information regarding the case. The court will make a final decision regarding a modification based on all available evidence.

Sincerely,

Oscar Esquivel
Incarcerated Parents Program Specialist
bw
Apply For a Lower Child Support Payment in Four Easy Steps

[Image -3x-3 to 723x540]

[47x57]May 13, 2014

[0x0]

[520x512]Lower deliberation costs

[536x416]Use social influence

[302x319]Send a reminder

[535x365]Use loss aversion

Teaser Postcard

 Reminder Postcard

You Could Lower Your Child Support Payments!

We will send you important information soon on how you could lower your child support payments if your income has gone down due to incarceration.

For example, a parent with a monthly order of $300 could reduce the amount of child support owed by $3,600 in just one year.

In a few weeks we will send you everything you need to complete and submit an application.

Other parents have had courts lower their child support by $200 to $500 per month.

Completing the application is easy. You can do it during a brief meeting with the law librarian.

Your child support debt gets bigger every month you don’t take action!

A parent with an order of $350 per month could reduce his or her child support debt by $4,200 in one year. Many other parents in TDCJ have already had their child support reduced.

A few weeks ago, we sent you a letter letting you know that you might be eligible to have your child support payments lowered if your income has gone down due to incarceration. We haven’t received your application, but you still have time to send it to us.

Make an appointment with the law librarian today, and complete the blue application we sent you. As soon as we receive your completed application, we’ll start reviewing your case to see if your support can be lowered.

Act now! You could lower your child support payments!

February 17, 2016
Texas Child Support - TEST

- 1,904 eligible incarcerated parents were randomly assigned to receive standard materials or revised BIAS materials.

- 952 received newly revised, behavioral intervention.

- 952 received "business as usual".

- Materials were mailed in May – July 2013 and responses were tracked through December 2013.

February 17, 2016
The revised outreach increased the percentage that submitted complete applications by 11 percentage points (40%).

BIAS program group members returned their applications more quickly than the control group.

The cost of BIAS materials was approximately $2/person more than the cost of standard materials.
New York City Paycheck Plus

 DEFINE: Paycheck Plus wanted to increase the number of eligible participants who attend an informational meeting about the benefit.

 DIAGNOSE:
  - Participants are mailed materials notifying them of the meeting.
  - They may not read or understand the materials due to limited attention, cognitive load.
  - They may decide not to attend due to psychological distance, mistrust.
  - They may decide to attend but not follow through due to hassle factors, procrastination, prospective memory failure.

 DESIGN:
  - Round 1: Use behavioral insights to improve the marketing materials, using loss aversion, implementation intention prompts, endowed progress effect.
  - Round 2: Reduce hassle factor by conducting the meeting via phone.

 TEST

February 17, 2016
New York City Paycheck Plus

PAYCHECK PLUS JUST GOT BETTER

Stop by a Food Bank office to get more information about Paycheck Plus and receive a $50 GIFT CARD!

It only takes a few minutes!

Si desea esta información en español, por favor llame al 212-340-4480

COMING TO FOOD BANK OFFICES listed here between March 11 and April 9 to receive

• More information about the Paycheck Plus bonus
• And a $50 gift card

COME IN TODAY TO LEARN MORE!

For other locations or questions call 646-981-6111

February 17, 2016

FOOD BANK FOR NEW YORK CITY LOCATIONS NEAR YOU

Capital One Bank
356 Fulton St, 2nd Fl., Brooklyn, NY 11201
Tue-Wed, 10am-7pm | Thu, 10am-8pm | Sat, 9am-5pm

Bed-Stuy Restoration Plaza
1392 Fulton St., Brooklyn, NY 11216
Tue-Wed, 10am-5pm | Thu, 10am-6pm | Sat, 9am-2pm

St. George Santander Bank
15 Hyatt St., 3rd Fl., Staten Island, NY 10301
Tue-Thu, 12pm-7pm | Sat, 9am-5pm

Northern Manhattan Improvement Corp.
76 Wadsworth Av., New York, NY 10033
Tue-Thu, 12pm-7pm | Sat, 9am-5pm

Community Kitchen and Pantry of West Harlem
252 W. 116th St., New York, NY 10026
Tue-Thu, 9am-3pm | Sat, 9am-3pm
SIGN UP FOR PAYCHECK PLUS – DONE!
Follow these 3 easy steps to get your $50 gift card and much more...

1. Choose a location and time to visit by March 29
   - Community Kitchen & Pantry of West Harlem
     252 W. 116th St., New York, 10026
   - Northern Manhattan Improvement Corp.
     76 Wadsworth Ave., New York, 10033
   - Write down when you will go: Date  Time AM/PM

2. Stop by and have a short conversation with Food Bank staff to learn how you can earn a $2000 bonus next year

3. Get your $50 gift card!
   For other locations or questions call 646-981-6111

New York City Paycheck Plus

Loss aversion
Fewer choices
Endowed Progress Effect
Planning prompts
New York City Paycheck Plus

Eligible to receive EITC supplement in 2015-2017
N=2,978

<table>
<thead>
<tr>
<th>Research Design</th>
<th>Text Message</th>
<th>No Text</th>
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</thead>
<tbody>
<tr>
<td>Behavioral</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 1</td>
<td>Two Behavioral Postcards and Weekly Text Messages</td>
<td>Group 2</td>
</tr>
<tr>
<td></td>
<td>N=737</td>
<td>Two Behavioral Postcards Only</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N=740</td>
</tr>
<tr>
<td>Standard</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 3</td>
<td>Two Standard Postcards and Weekly Text Messages</td>
<td>Group 4 (control)</td>
</tr>
<tr>
<td></td>
<td>N=745</td>
<td>Two Standard Postcards Only</td>
</tr>
<tr>
<td></td>
<td></td>
<td>N=756</td>
</tr>
</tbody>
</table>
New York City Paycheck Plus

Percent of sample attending an informational meeting

- Standard Messaging: 18.5%
- Behavioral Messaging: 25.6%

7.1% increase (*** in meeting attendance

February 17, 2016
New York City Paycheck Plus

Percent of sample attending an informational meeting

<table>
<thead>
<tr>
<th>Method</th>
<th>Attendance</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Postcards Only</td>
<td>16.5</td>
<td></td>
</tr>
<tr>
<td>Standard Postcards and Texts</td>
<td>20.5</td>
<td>4.0%**</td>
</tr>
<tr>
<td>Behavioral Postcards Only</td>
<td>22.6</td>
<td>6.1%***</td>
</tr>
<tr>
<td>Behavioral Postcards and Texts</td>
<td>28.5</td>
<td></td>
</tr>
</tbody>
</table>

12% increase (****) in meeting attendance
Participants who did not complete a meeting during Round 1 were re-randomized into Round 2 study groups N=2,323

(1) In-Person
Offered meeting at two FBNYC locations
N=1,164

(2) By Phone
Offered phone meeting
N=1,159
New York City Paycheck Plus

Experimentation period

Phone Group

In-person Group

2.9% difference

February 17, 2016
Oklahoma Child Care

**DEFINITION:** Oklahoma wants to increase the percentage of families who renew their child care subsidy on time. Only about one-third of an estimated 39,000 child care subsidy cases that are eligible for renewal each year in Oklahoma are renewed by the state’s deadline.

**DIAGNOSIS:**
- Renewal process may be hard to understand *cognitive load, inattention*
- Parents may have trouble gathering and submitting the required documentation *hassle factors, psychological distance*
- Parents may forget about the renewal deadline. Lack of *reminders* may contribute to *prospective memory failure*
- Parents may *procrastinate* or experience *planning fallacy*

**DESIGN:**
- Client intervention focused on early and clear communication with continued follow up information
- Provider intervention to involve providers in the process

**TEST**
Oklahoma Child Care

Don’t lose your benefits!
Start collecting the documents you need for your renewal NOW.

Remember these important dates:

- Yes, I want to renew! NOW
  Save in an envelope:
  - Current schedule (work, school, or training)
  - Pay stubs (one full month of work, received no earlier than April 1)

- MAY 22
  Look for a yellow notice in the mail with easy steps to renew your benefits at www.okdhslive.org.

- No Later Than JUNE 5
  Submit your renewal and all required documents.

Your Benefits End JULY 1 if you don’t renew.

If you have questions: go to www.okdhslive.org or call (877) 653-4798.
Si usted necesita servicios de traducción, favor contactar al (877) 653-4798.

MDRC
Building knowledge to improve social policy

February 17, 2016
Oklahoma Child Care

Renew your benefits NOW!

Do not lose the affordable child care, or any of the other benefits, that your family receives.

NOW
Renew at www.okdhslive.org or call DHS at (877) 653-4798.
Don’t wait! Turn this page over for more information.

by AUGUST 5
Submit your renewal and all required documents.

Your Benefits End SEPT. 1
if you don’t renew.

Endowed progress effect

Loss Aversion

Lower deliberation costs

You must complete the renewal process at www.okdhslive.org to avoid losing your benefits.

Turn this page over to follow the 3 Easy Steps to Renew Your Benefits.

February 17, 2016
In the coming months, we will provide you with lists of clients coming up for renewal. Look for the following lists in the mail, and keep in mind the associated actions you can take.

<table>
<thead>
<tr>
<th>Client Group</th>
<th>Benefits End</th>
<th>Actions to Take</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREEN CLIENT LIST</td>
<td>IN TWO MONTHS</td>
<td>Hand clients the envelopes provided in this initial packet. Direct them to collect the documents that prove they are eligible.</td>
</tr>
<tr>
<td>YELLOW CLIENT LIST</td>
<td>IN ONE MONTH</td>
<td>Direct clients to <a href="http://www.okdhalslive.org">www.okdhalslive.org</a> to complete their renewal.</td>
</tr>
<tr>
<td>RED CLIENT LIST</td>
<td>IN LESS THAN 3 WEEKS</td>
<td>Direct clients to contact DHS at (877) 653-4798 immediately.</td>
</tr>
</tbody>
</table>

Note: If the lists you receive in future mailings do not include clients of one of these colors, this means that none of your clients fall into that category at that time.
Below is a list of your DHS clients whose benefits will end the **LAST DAY OF THIS MONTH**. Please instruct them to call DHS immediately at (877) 653-4798. *Otherwise, you are at risk of not being paid.*

**Remember**: Please do not post this list publicly as doing so would violate your clients’ confidentiality.

<table>
<thead>
<tr>
<th>Client Name</th>
<th>Case Number</th>
<th>Benefits End</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAMPLE CLIENT A</td>
<td>123456-7</td>
<td>July 1, 2014</td>
</tr>
<tr>
<td>SAMPLE CLIENT B</td>
<td>123456-7</td>
<td>July 1, 2014</td>
</tr>
<tr>
<td>SAMPLE CLIENT C</td>
<td>123456-7</td>
<td>July 1, 2014</td>
</tr>
</tbody>
</table>

If clients have any questions about their specific cases, they can contact DHS at (877) 653-4798.
Oklahoma Child Care

Clients due for benefit renewal

(1) **Client Intervention**
   - 2 Behavioral Postcards and redesigned notice
   - (N = 2,393)

(2) **Provider Intervention**
   - Mailings with lists of clients due for renewal
   - (N = 2,261)

(3) **Combined Intervention**
   - Both client and provider interventions
   - (N = 2,283)

(4) **Standard Process**
   - Standard renewal notice
   - (N = 2,411)

February 17, 2016
The provider intervention increased the number of clients who renewed their child care subsidies on time.

- Providers reported being more aware of when their clients were due for renewal and speaking more frequently to their clients about renewal.
- Clients whose providers received the provider intervention were 2.4 percentage points more likely to renew before the renewal deadline.

The other interventions were not as effective at increasing on time renewal.
Reflections

- Using behavioral insights is a promising approach to improving program operations and outcomes
  - Examining program processes in detail with behavioral diagnosis and design is valuable
  - All BIAS sites to date have seen a significant impact on at least one primary outcome of interest
  - Interventions are relatively low-cost, especially in relation to impacts

- Testing is important
  - What we found was not always intuitive
  - Rapid cycle evaluation is an opportunity to learn quickly
More From BIAS

- **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
- **The Power of Prompts: Using Behavioral Insights to Encourage People to Participate** – September 2015
- **Nudges for Child Support: Applying Behavioral Insights to Increase Collections** – February 2016
- Reports from other BIAS pilot tests throughout 2016
- Final synthesis report coming in late 2016
BIAS Next Generation

- Launched in September 2015
- Will build on lessons of BIAS and go beyond BIAS
  - Work with additional ACF programs
    - Initial focus on TANF and Child Welfare
  - 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
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www.acf.hhs.gov/programs/opre/