

# CWDA Annual Conference 2014

Welcome to the panel discussion

“From Customer Service to Customer Action”

Discussion Panel

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# Select Principles of Behavioral Economics

Scarcity is more than just the displeasure of having very little. It changes how we think and imposes itself on our minds. Being in a crisis and affected by a scarcity of resources alters how we look at things. It makes us choose differently.

# Scarcity Mindset

While we are more effective in the moment focusing on the crisis, it also comes at a cost: our single-mindedness leads us to neglect things we actually value and solutions that are obvious but “invisible” to our tunnel vision.

Here are some factors that explain why tunneling occurs:

# Friction

Principle	Definition	Example
<b>Over-confidence</b>	Everyone believes they are right and everyone believes they are above average.	A job seeker believes that he is uniquely qualified for several jobs for which he applied and does not adequately prepare for the job interview.

# Friction

Principle	Definition	Example
<b>Availability bias</b>	People tend to focus on what comes easily to mind.	A welfare-to-work client tends to see the job ads that are in the category of her previous line of work. She ignores to apply for jobs for which she is qualified that do not fall into that category.

# Friction

Principle	Definition	Example
<b>Default bias</b>	People tend to make the easiest choice-which often means no choice at all.	A consumer rights and service feedback pamphlet contains pre-checked boxes to shorten the time to completion. Though consumers have the option of un-checking the boxes, most accept the boxes without reading the question, and the feedback is biased towards the default.

# Friction

Principle	Definition	Example
<b>Planning fallacy</b>	People consistently under-estimate how long things will take.	A single mother thinks: “I have an hour before my welfare-to-work appointment, but I need to cook breakfast, get ready, drop the kids off, get gas, and prepare for the interview. I can do it.”

# Friction

Principle	Definition	Example
<b>Decision paralysis</b>	When given too many choices, people often don't choose at all.	A client needs legal advice on housing issues and is referred to seven different agencies. Having so many options and not enough time to look into each of them, the client decides not to seek assistance.



# Friction

Principle	Definition	Example
<b>Limited attention</b>	People often miss important details because they can only process a limited amount of information at a time.	You are a single mom with 4 kids and work multiple jobs to make ends meet. You are also active in your community and your children's education. You apply for CalFresh and are informed of your rights and responsibilities. Nine months later your income increases by \$100, from \$2,100 to \$2,200 a month. You forgot that this exceeds the Income Reporting threshold (IRT) of \$2,144 per month, which requires you to report the change within ten days.

# The Psychology of Money

Principle	Definition	Example
<b>Sunk cost effect</b>	People are unable to forget the money they've already spent.	"I can't believe I paid that much for shoes."

# The Psychology of Money

Principle	Definition	Example
<b>Mental accounting</b>	People categorize and treat money differently depending on where it came from and where it is going	“The money I make from my job will feed my family, but I will use any money I win from the lottery to buy a new car.”

# The Psychology of Money

Principle	Definition	Example
<b>Anchoring</b>	People are tied to their first impression and the first number they hear, placing less emphasis on subsequent information.	A person receives a letter with “URGENT: PAYMENT REQUIRED” stamped on it and becomes anxious about its contents

# Now vs. Later

Principle	Definition	Example
<b>Present bias</b>	People overvalue rewards in the present and undervalue future costs and benefits	“Fast food is cheaper and easier than buying groceries and cooking.”

# Now vs. Later

Principle	Definition	Example
<b>Ego depletion</b>	People's ability to make good decisions is a limited resource that can be drained by decision overload and external fatigue	Experiencing the lack of money, a client may focus more on solving immediate cash aid problems than on preparing themselves for a job or career.

Content adapted from “Common Principles of Behavioral Economics” and applied to Social Services examples

- Original file can be found at

[https://www.eiseverywhere.com/file\\_uploads/1c32aea1a1fa4912b64e174455e0f340\\_ALCRountable-BehavioralEconomicsHandoutd2.pdf](https://www.eiseverywhere.com/file_uploads/1c32aea1a1fa4912b64e174455e0f340_ALCRountable-BehavioralEconomicsHandoutd2.pdf)

# The Desired Result: Empathy

- Behavioral economics training may help social services providers develop a natural empathy for their clients because they can identify the drivers behind all of our shared common behaviors.
- By analyzing the application process, Service Providers can get a feel for how it is to be the applicant. See for example a scripted application process for CalFresh here: <http://codeforamerica.github.io/health/cwda/>