



# 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?

- ❖ Behavioral economics is a mix of psychology and economics that challenges the “traditional” or neoclassical economics view 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.
- ❖ Many public policies and programs are designed based on a traditional economic model 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

# Why BIAS?

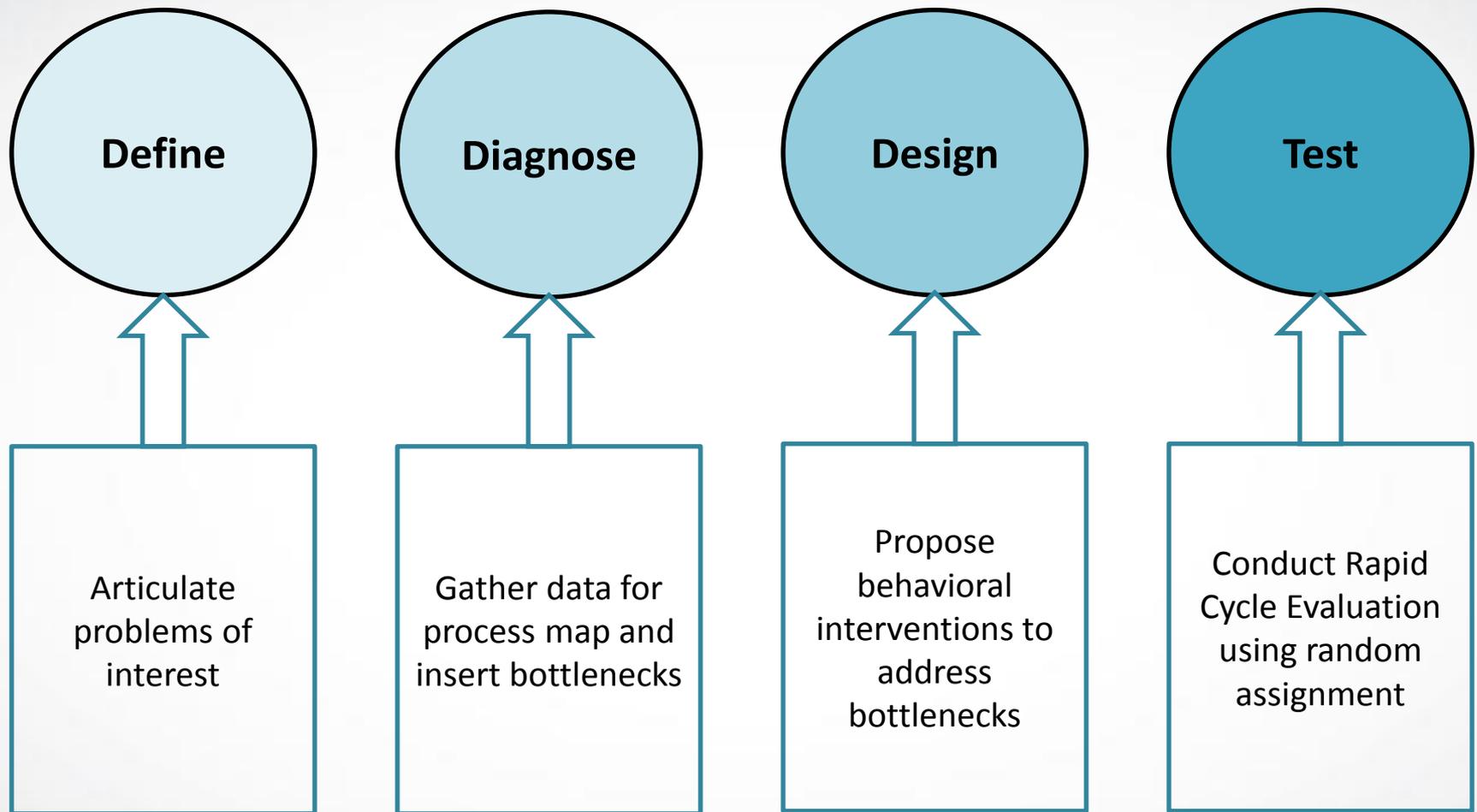
BIAS seeks to answer the question:

**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.

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.

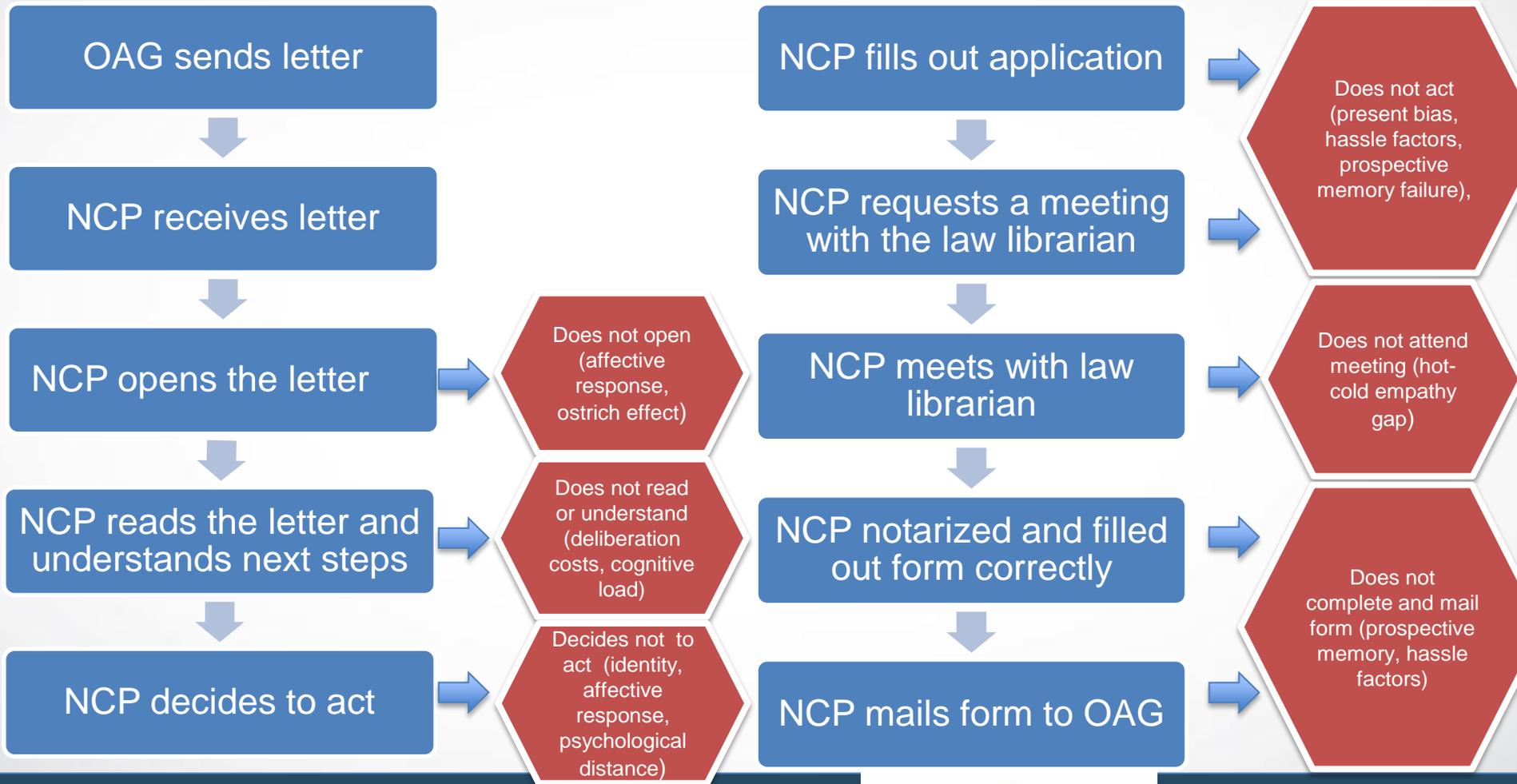
# Behavioral Diagnosis and Design



# Texas Child Support - DEFINE

- 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



October 9, 2014

# Texas Child Support - DESIGN

Does not open  
(affective response,  
ostrich effect)



- Remove OAG return address
- Send a teaser postcard

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



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

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



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

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



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

October 9, 2014



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT  
CHILD SUPPORT DIVISION

## 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

Primes prisoner  
identity

High reading level

References the  
custodial parent

October 9, 2014

# Apply For a Lower Child Support Payment in Four Easy Steps

John Doe  
TDCJ No. 12345678 / OAG No. 0009415412  
Pam Lychner State Jail  
Humble, TX 77396

Dear Mr. John Doe,

*Did you know that you might be able to lower your monthly child support payment if your income has gone down due to incarceration?*

Even though your child support order didn't change automatically when you became incarcerated, you can request that a court consider lowering your order. Other parents have already gotten their monthly orders reduced to as low as zero! In your case, this could mean reducing the child support you owe by \$3468 over one year.

Lower deliberation costs

Lower reading level

Use social influence

Use loss aversion

Teaser Postcard

Send a reminder

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.

04/13

## 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!**

October 9, 2014

# Texas Child Support - TEST

- 1,904 eligible incarcerated parents were randomly assigned to receive standard materials or revised BIAS materials
- Materials were mailed in May – July 2013 and responses were tracked through December 2013
- **The BIAS intervention increased the percent of incarcerated noncustodial parents who sent in a completed modification application by 11 percentage points**
  - 39% of the BIAS program group and 28% of the control group returned completed applications
  - This is a 40 percent increase in return of completed applications
- **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**

October 9, 2014

# New York City Paycheck Plus

- **DEFINE:** Paycheck Plus wants 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 ***cognitive load, limited attention***
  - They may decide not to attend due to ***mistrust, psychological distance***
  - They may decide to attend but not follow through due to ***hassle factors, procrastination, prospective memory failure***
- **DESIGN:**
  - Use behavioral economics tools to improve the marketing materials, using ***loss aversion, implementation intention prompts, endowed progress effect***
  - Reduce ***hassle factor*** by conducting the meeting via phone
- **TEST**

October 9, 2014

# New York City Paycheck Plus

**FOOD BANK**  
FOR NEW YORK CITY



39 Broadway, 10th floor  
New York, NY 10006

foodbanknyc.org

## 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

Non-Profit  
Org.  
U.S. Postage  
PAID  
Syracuse, NY

Standard Postcard

## 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 Ave., 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

**COME 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

October 9, 2014

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BUILDING KNOWLEDGE  
TO IMPROVE SOCIAL POLICY

**OPRE**

# New York City Paycheck Plus

**FOOD BANK  
FOR NEW YORK CITY**



39 Broadway, 10th floor  
New York, NY 10006

**PAYCHECK PLUS  
MEMBERS:  
WITH THIS POSTCARD  
\$50 IS YOURS**

All you need to do is come to a Food Bank  
office by **MARCH 29, 2014**.

**Don't miss out!**

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

Non-Profit  
Org.  
U.S. Postage

Suggests progress has already been made



**SIGN UP FOR PAYCHECK PLUS – DONE!**

Follow these 3 easy steps to get your **\$50 gift card** and much more...



**Choose a location and time to visit by March 29**

Check off one location:

Planning prompts

**Community Kitchen & Pantry of  
West Harlem**  
252 W. 116th St., New York, 10026

**Northern Manhattan  
Improvement Corp.**  
76 Wadsworth Ave., New York, 10033

MON	TUES	WED	THU	FRI	SAT
closed	9-3	9-3	9-3	closed	9-3

MON	TUES	WED	THU	FRI	SAT
closed	12-7	12-7	12-7	closed	9-5

Loss aversion

Write down when you will go: Date  Time  AM/PM

Fewer choices



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



**Get your \$50 gift card!**

For other locations or questions call 646-981-6111

October 9, 2014

# Oklahoma Child Care

- **DEFINE:** Oklahoma wants to increase the percentage of families who renew their child care subsidy on time
- **DIAGNOSE:**
  - Parents need to start collecting required documents well in advance of the renewal deadline
  - They may not focus on the upcoming deadline due to *limited attention*
  - They may be focused on the deadline but procrastinate due to *psychological distance* of the deadline
  - They may experience *hassle factors* in collecting required documents and completing the renewal process or have trouble due to *limited cognition*
- **DESIGN:**
  - Early alert postcard to address *psychological distance* followed by a series of communications to address *procrastination* and *inattention*
  - Redesigned materials address *cognitive load* and elicit *loss aversion*
- **TEST**

October 9, 2014

# Oklahoma Child Care

Loss aversion

Colors focus attention and reduce psychological distance of deadline



## Don't lose your benefits!

Start collecting the documents you need for your renewal **NOW**.

SAVE THIS POSTCARD!

Simplified Instructions with emphasis on what to do 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](http://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](http://www.okdhslive.org) or call (877) 653-4798.***

*Si usted necesita servicios de traducción, favor contactar al (877) 653-4798.*

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October 9, 2014

# Oklahoma Child Care

## ***Renew your benefits NOW!***

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

Suggests that progress has already been made

Loss aversion

Colors focus attention and increase salience of deadline



*You must complete the renewal process at  
**[www.okdhslive.org](http://www.okdhslive.org)** to avoid losing your benefits.*

# Oklahoma Child Care

## Renew Now or You Will Lose Your Benefits!



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



Call us TODAY at (877) 653-4798 to avoid losing your benefits!

*Si usted necesita servicios de traducción, favor contactar al (877) 653-4798.*

DHS S14010b-June Issued 6/2014

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OPRE

# Other BIAS Pilots

- **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 (Washington State)
- **Improving child care subsidy recertification processes**
  - Reducing the number of visits it takes for clients to successfully recertify for child care subsidies (Indiana)
- **Promoting use of higher quality child care**
  - Increasing the number of CCDF voucher recipients who choose QRIS rated child care providers (Indiana)
- **Improving TANF engagement**
  - Increasing show-up to reengagement appointments (Los Angeles)

# 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
- Reports from other BIAS pilot tests throughout 2015 and 2016



# Questions, Comments, Curiosity?

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