

Under the influence

Behavioural theory, its profile raised by fashionable 'nudge economics', is making inroads into policymaking. But as Michael Hallsworth explains, the concepts behind it could also be valuable in reducing public spending.

Across Whitehall, insights from behavioural economics are changing how civil servants make policy. They are increasingly aware of how certain, predictable, mental shortcuts have great power over how we behave. The argument is that government may be justified in using these shortcuts to "help us help ourselves". This approach, often called "nudging," offers the promise of influencing people's behaviour without legislation – and with considerably less money.

But nudging could also be applied to help the public sector embrace deficit reduction. We need to remember that cuts are not just about numbers: they are also about how people act. Going with the grain of how people behave could make the process of cutting less painful and more effective.

In March an Institute for Government publication, commissioned by the Cabinet Office, set out nine robust effects that policy makers (and others) can use to influence behaviour. They are handily represented by the mnemonic "MINDSPACE" – Messenger, Incentives, Norms, Defaults, Salience, Priming, Affect, Commitment, Ego. Conventionally, these effects are applied to specific policy challenges: helping people eat or drink more healthily, recycle more, or save for their pensions.

But what can MINDSPACE offer for the biggest policy challenge of the next Parliament: reducing debt? This article gives some starters for ten, but our real aim is to spark debate about how we influence the behaviour of public sector workers. Each of the effects below is based on scientific evidence drawn from the fields of social psychology and economics. While we may be aware that some of these things influence us, we rarely realise how or to what extent – understanding their true power points towards some surprising conclusions.

M is for Messenger. We are heavily influenced by *who* communicates information. Whatever our considered judgment about the value of a message, we automatically give it more or less weight according to the messenger. For example, we are often swayed by authority that has associations of expertise: public trust in expert public sector workers like doctors and teachers is much higher than for politicians. Or the messenger's authority can be more informal: a DFID-funded project found that women who had heard about female condoms from the "messenger" of a female hairdresser were 2.5 times more likely to use them than those who had not (see picture).

Trust matters when trying to cement a popular mandate for fiscal consolidation. It's reasonable to assume that the public's views of how cuts are affecting public services are heavily influenced by what the people serving, teaching or treating them say is going on, as well as their direct experiences. Getting the support of authoritative public sector workers is crucial for public approval; but this will not be easy. Perhaps one way is to start a realistic conversation along the lines of "we *have* to make these reductions – what is the best we can do *within* this 20% we cannot negotiate?" Such an approach shifts the terms of debate to give professionals a more constructive role and, potentially, greater ownership.

I is for incentives. The way we respond to incentives is shaped by some predictable mental shortcuts, which don't always lead to the best outcomes. One of the biggest effects is loss aversion – we dislike losses more than we like gains of an equivalent amount. Big budget rises followed by cuts are much harder to cope with than reaching the same end point by small increases. In other words, the challenge is to minimise the sense of *loss* created by the fiscal consolidation. Given that most budgets have seen large increases in recent years, it would be better to make budgets from 2005 the point of comparison, rather than those from the previous year. Recent increases would then be framed as temporary measures before a reversion to normal levels. This is not being dishonest – it's just changing the point of reference. Another option is “softening the loss”: a deeper reduction with some give back for new priorities may gain greater acceptance than same net amount presented as simple reduction. It would make the process seem one of renewal rather than destruction.

N is for norms. We are social creatures – we are strongly influenced by what others do. Norms can be “implicit”, where we observe what others do and copy it (shaking hands) or “explicit” where we are told what others do (No Smoking signs). The goal, then, is to reinforce and spread desirable norms, while avoiding giving publicity to undesirable norms – emphasising how little most people drink is more effective at reducing anti-social drinking than emphasising how much a few drink.

Fiscal consolidation will require many new norms to be established and maintained. Initial consolidation efforts should be as visible and uniform as possible to establish a dominant norm. “Uniform” does not mean suffocating and top-down; rather, it means that people's actions are connected to a common cause or symbol wherever possible.

These consolidation efforts should also be consistent: making exceptions, and thereby creating the sense that others are getting off lightly, risks undermining crucial norms that may still be fragile. This does not mean that cuts should be uniform across the board, but rather that everyone is treated fairly under the same process. Framing progress as a social norm (e.g. “most people are already planning cuts of x%”) may actually help to reinforce and extend fledgling social norms. Equally, if reluctance or resistance leads to a lack of progress, it should be framed as an undesirable minority jeopardising overall progress - not as a widespread problem.

D is for defaults. We “go with the flow” of pre-set options: we often don't expend effort to deviate from a default setting. In a fiscal consolidation, the default should be an option that saves money or reduces budgetary pressure. Indeed, some of the most painless savings may be those “built into” the environment – whether literally, by turning down the thermostats to save energy bills, or virtually, by introducing new disciplines which put barriers in the way of accessing budgets. We need to think: where do our existing structures work against a successful consolidation? Total Place, for example, is trying to change the default to collaboration, rather than budget protecting. One of the most important potential defaults is the imposition of sunset clauses on existing programmes or bodies – so the default is that they are wound up without a positive choice to extend their life. And perhaps the biggest change would be to see spending, rather than cuts, as the deviation from the default.

S is for salience. We are drawn to what is novel and salient. In a fiscal consolidation, this may represent a risk to be managed as much as a way of gaining traction. To the public, the need to reduce debt may seem abstract and distant, rather than an urgent problem. One obvious way of making the abstract billions of debt salient is to translate them into costs per person or by

household, and then continually reinforce this message. For example, on a much smaller scale, the abstract issue of fixed penalty notices for littering was made salient by Southwark Council by using people in giant litter costumes “making a scene” in the street (see picture). Once the problem is made salient, the next stage is to connect debt and deficits to individuals’ everyday lives, in order to make the consequences of inaction resonant. Any anxiety that this creates should be assuaged by a clear message that an effective remedy is underway.

P is for priming. Our acts are often influenced by sub-conscious cues. People’s subsequent behaviour may be altered if they are first exposed (‘primed’) to certain sights, words or sensations. Priming seems to act outside of conscious awareness, which means it is different from simply remembering things. Priming can have sinister connotations of manipulation. But it can be rather more prosaic in the case of spending reduction. One step is to make sure all cues – whether leadership behaviours (class of train travel or surrendering the Ministerial or Permanent Secretary dedicated driver), buildings (why the Treasury used to revel in what looked like army surplus store decor) or systems (making clear that small sums of money matter) – point to an organisation that is focussed on saving unnecessary expense.

A is for affect. Public servants have feelings too – and, as with everyone else, emotional associations powerfully shape their actions. In fact, emotional responses to words, images and events can be so rapid and automatic that people experience the reaction before they realise what they are reacting to. For example, the British Heart Foundation’s ‘Give up before you clog’ up attempted to associate the specific act of smoking in a pleasant social situation with an automatic feeling of disgust caused by fat dripping from cigarettes.

Again, affect may point to a risk to be managed, since people may take an instinctive pride in what they have been working on – and feel the need to grieve if their programmes are cut. Given these emotional ties, an out-of-the-blue edict is unlikely to be the best way of getting acceptance for the inevitable. Rather, a powerful and evocative vision of the need for change will be needed to supplant any subconscious negative reactions to the “cuts” agenda. The bottom line is: emotional associations are real and powerful; have a strategy for dealing with them.

C is for commitment. Promises matter: we have powerful desires to fulfil our commitments, especially if they are public. Commitment lies at the heart of a fiscal consolidation. In a lecture last year at the Institute for Government, former Swedish Prime Minister Goran Persson stressed the importance of the commitment of Prime Minister, Finance Minister and Cabinet to put their political lives on the line. The same degree of commitment needs to be found at the top levels of the civil service and wider public sector – and that commitment needs to be a clear matter of public record.

But the use of commitments could go much further. The very *act* of making a public commitment in speech or writing exerts influence over us. Creating situations where employees make such public commitments may pay dividends; the challenge is to avoid them seeming contrived. Our desire to be consistent with our past actions can actually mean that our opinions adjust to fit our behaviour, rather than the other way around. The very act of making a small symbolic expenditure reduction can change a person’s self-image (“I did that, so I’m the kind of person who reduces spending”) and play on their desire to be consistent with this act. And, of course, it is much easier to get people to make such a reduction if they feel that others have already done so: reciprocity is a powerful force.

E is for ego. We act in ways that make us feel better about ourselves, often without realising. The importance of ego effects represents both a risk and a possibility. The risk is that people's self-esteem is bound up in what they do now. While the Cabinet Secretary and the Treasury may be motivated by pushing through the largest fiscal consolidation in decades, most others in the system will see that as challenging, rather than boosting, their ego. But the more people feel they are able and trusted to deliver the high expectations being set for them, the easier it will be for them to feel proud of helping the country out of fiscal crisis. People will be motivated by the prospect of "better", rather than just "less".

So, what would a MINDSPACE fiscal consolidation look like? It would combine a more uniform approach with direct involvement from employees; it would build savings into existing actions and structures; it would understand how we notice and weigh up information; and it would constantly prime people with expenditure reduction through thousands of small cues in their environment.

While all these effects have been shown to influence our behaviour powerfully, there is a real need to tailor any interventions to the culture and context of the organisation in question. Depending on the power of, say, commitment, is not enough on its own. Not all employees will have the same motivations, opinions and desires, so it's important to understand how they vary.

Finally, behaviour is complex: it emerges from many different sources. We cannot guarantee that a specific intervention will influence actions in ways we anticipate, but MINDSPACE gives us a good starting point for thinking about behaviour in a sophisticated yet useable way. We need to remember that cuts are not just about numbers: they are also about how people behave. And the traditional British way of cutting spending – through a secretive top-down process that ignores the human factor – may not be the best way of achieving a consolidation that lasts.

MINDSPACE: Influencing behaviour through public policy and Undertaking a fiscal consolidation are both available from www.instituteforgovernment.org.uk