

Executive summary

Behavioural insights (BI) provides policymakers with a new set of tools for designing and implementing effective public policies. BI complements conventional economic theory with extensive evidence on how humans depart from rational decision-making and misperceive risk. Moreover, BI can offer guidance on tailoring policies to address these deviations, by designing interventions that provide individuals with the contextual information that they are otherwise lacking to make a rational decision. An increasing number of public bodies around the globe have recognised the value of applying BI to public policy.

As BI and evidence-based methodologies gain popularity with policymakers, the scope of their use is also expanding. While most applications of BI to date have focused on improving individual choices, new frontiers of applying BI include both complex individual behaviour problems and organisational behavioural change.

Furthermore, several open questions remain, such as whether behavioural interventions can generate lasting effects over time, the extent to which individuals deviate from traditional assumptions of rationality and, in particular, how different countries or groups (e.g. professional or social categories) respond to equivalent behavioural policies.

Applying BI to individual and organisational behaviour

This report contains four pieces of OECD research that broaden the application of BI to public policy and tackle new questions related to both individual behaviour and the behaviour of organisations. The work was developed by the OECD Directorates for Environment, Financial and Enterprise Affairs, Public Governance, and Science, Technology and Innovation. It encompasses a diverse set of countries and research topics in the policy areas of competition, consumer protection, energy consumption and safety.

In terms of individual behaviour, this report investigates ways that BI can be used to improve the effectiveness of smart meters and induce energy savings, through an experiment in Canada. Results show that the provision of real-time feedback on electricity consumption through in-home displays causes households to reduce consumption by about 3%. The effect lasts for at least five months and is mainly the result of one-time actions, such as adjusting devices' settings to less energy consuming modes or investing in more energy efficient appliances.

This report also examines new ways BI can be applied to consumer policy, continuing the long history of applying BI to the protection of consumers. The report explains how BI can help understand and address the impact of online advertising on consumers. It also proposes practical next steps for policymakers to improve consumer understanding of online disclosures. It further explores how experimental approaches can help tailor disclosures to consumers regarding personalised pricing.

In terms of changing the behaviour of organisations, this report examines the impact of different antitrust regimes on deterring cartel behaviour. The results, which were produced from a theoretical model and tested empirically through a laboratory experiment, shed light on how competing regulatory frameworks may affect managers' incentives to collude and, in turn, managers' labour markets. Moreover, the research highlights how differences in manager-specific attributes, such as risk aversion and strategy choice, can determine the rise or deterrence of cartels. In doing so, the study also discusses how BI can serve as a tool to explain theory-evidence gaps that arise from empirical observations.

Finally, the report investigates how regulatory policymakers can foster a culture of safety in the energy sector. The results of an online experiment with regulators and regulated entities in Canada, Ireland, Mexico and Oman show the potential importance of messengers and feedback in improving safety but were inconclusive for the effect of social norms on changing behaviours around safety. However, these effects vary considerably amongst the application of each behavioural insight, and also by country and type of respondent.

Key lessons: How can policymakers apply BI to complex problems

Together, the four policy areas examined in the report provide a set of lessons for using BI to deliver better policies and offer pathways for using the tool to contribute meaningfully to solving complex policy problems. These lessons are described below:

- **Investing time and resources in scoping policy problems** to understand whether a behavioural intervention is required and how it can then improve outcomes. This should be the fundamental point of departure for evaluating the use of BI in public policy, and more broadly, getting the solutions right.
- **Further research is needed on the effectiveness of BI in changing the behaviour of organisations**, as many complex policy problems involve addressing the actions of organisations. This can be of interest to businesses and regulated entities, as well as within government bodies to improve the effectiveness of policy delivery.
- **Cross-national and cross-cultural experimentation** should be encouraged as a way to study various behavioural problems in different contexts and assess the potential benefits of behaviourally informed policies. International differences in culture and context also highlight the value-added of evidence-based policies for understanding “what really works” in targeted environments.
- **There is a wide range of robust and cost-effective tools** available for behavioural policymaking. Randomised controlled trials (RCTs), quasi-experiments, theoretical models and laboratory research should be fully exploited by practitioners and policymakers. It is crucial to be rigorous when designing behavioural interventions while capitalising on available resources and opportunities.
- **Findings must be scalable and translated into a language that is practical and relevant to policymakers**; otherwise, BI studies may be little more than exploratory experiences. Meaningfully interpreting and sharing results, even when null or statistically limited, can produce important lessons on how to design future studies and public policies.

- **Equally important is to pay special attention to ethical considerations at all stages of the research and policy-making process**, especially regarding experimentation and testing. Behavioural practitioners and policymakers can rely on available ethical guidelines to ensure they are applying BI responsibly.



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