

# Behavioural Insights Team

## Annual update 2010–11

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# Summary

The Behavioural Insights Team (BIT) was established in July 2010. Its objective is to make a reality of the Coalition Government's intention to find 'intelligent ways to encourage, support and enable people to make better choices for themselves'.

Over the past year, BIT has worked with government departments across a wide range of policy areas, producing joint papers with the Department of Health (DH) (December 2010), the Office for Civil Society in the Cabinet Office (December 2010 and May 2011), the Department for Business, Innovation and Skills (BIS) (April 2011) and the Department of Energy and Climate Change (DECC) (July 2011).

As well as developing specific policies, BIT was charged with increasing understanding of behavioural approaches. It has given seminars reaching Senior Civil Servants from 18 departments; presented to the annual conferences for the Government Economic Service, the Government Social Research Service and the Academy of Social Sciences; both Houses of Parliament; and numerous other events. We are confident that behavioural approaches are increasingly familiar among the policy community.

Priorities for the coming year are likely to include developing innovative alternative solutions as part of the Red Tape Challenge; implementing trials to reduce public sector fraud, debt and error; and pushing forward work to reduce common crimes such as mobile phone theft. We will also continue to examine aspects of health, including how to radically reduce harms from smoking, and will commence work on higher education.

## Examples of how behavioural insights have been applied in 2010–11

- **Organ donation** – introducing a 'required choice' for vehicle licence applicants from 31 July. It is estimated that this will more than double the percentage of people joining the organ donation register and bring an extra 1 million donors over the course of the Parliament.
- **Healthier food** – salt in pre-prepared food is to be reduced by 15% on 2010 targets (or 1g per person a day compared with 2007 levels) as part of a voluntary agreement with industry. It is estimated that this will save around 4,500 lives a year.
- **Consumer empowerment** – giving consumers access to data held about them in electronic format by firms. This programme, known as 'mydata', is likely to revolutionise the relationship between consumers and firms, overcoming a host of behavioural biases.
- **Tax** – changing letters to explain that most people in their local area had already paid their taxes boosted repayment rates by around 15 percentage points. If rolled out nationally, this would free up collector resource capable of generating £30 million of extra revenue annually and would advance over £160 million of cash flow by around six weeks each year.
- **Environment** – we have redesigned Energy Performance Certificates (EPCs). From 2012, the EPCs will tell people how costly it will be to heat a home they are buying, and will help 1.4 million households to make their homes more energy efficient, saving them money in the process.

# 1. Objectives and structure

BIT was formed in July 2010. Its objective is to transform how government thinks about the behavioural aspects of public policy, making it easier for citizens to make better choices for themselves.

## Objectives

BIT was created in the early months of the Coalition Government to make a reality of its pledge to find **‘intelligent ways to encourage, support and enable people to make better choices for themselves’**. The team’s primary objectives for the two years up to its July 2012 sunset review are to:

- transform two major areas of policy, plus support work in a number of other policy areas as agreed with the Steering Board;
- spread understanding across government, including the use of behavioural approaches as an alternative or complement to regulation or bans; and
- achieve at least a 10-fold return on the cost of the team.

This update is intended to give a sense of progress towards these objectives.

## Governance and structure

BIT is a team of eight based in the Cabinet Office. It is directed by Dr David Halpern, on secondment from the Institute for Government, who joined the team in October 2010. Owain Service is the team’s Deputy Director. In addition to strong links to Professor Richard Thaler and other US-based academics, the team also benefits from a UK-based Academic Advisory Group, consisting of:

- Professor Nick Chater (University of Warwick)
- Professor Peter John (UCL)
- Professor Theresa Marteau (University of Cambridge)
- Professor Peter Tufano (University of Oxford)
- Dr Dan Goldstein (London Business School).

BIT is very grateful for the time and advice that members of the Academic Advisory Group have given to the team and other government departments. The Advisory Group also provides an important channel through which to keep the academic and research community in the UK aware of government and public interest in behavioural science, and provides opportunities for academics to ‘piggy-back’ on policy trials and interventions to expand public knowledge of policy-relevant behavioural effects.

The BIT Steering Board, chaired by the Cabinet Secretary Sir Gus O'Donnell, has met on a quarterly basis through the year, and has agreed the team's priority areas. In addition, the team meets regularly with Oliver Letwin, Minister for Government Policy, who has taken a strong interest in our work. The team also receives commissions from No.10 and the Office of the Deputy Prime Minister, along with frequent requests from other departments for specific advice.

- well-being
- public service reform
- reducing regulation.

## Priority areas

Policy priority areas agreed with the Steering Board in 2010–11 were:

- public health
- consumer empowerment and growth
- energy efficiency and climate change.

Joint policy papers have now been published in each of these areas, following close working with each of the relevant departments (DH, BIS and DECC – see section 2 for more detail). Through 2010–11, the Steering Board became keen that BIT also engage in two further major areas of policy, namely:

- crime
- fraud, debt and error.

In order not to be spread too thinly, the team gradually switched resource onto these two other areas through early 2011, as our work on health and consumer issues was completed. In addition, the team provided advice on a range of other policy areas, including:

- giving of time and money
- social mobility
- relationships and parenting

## 2. Applying behavioural insights to policy

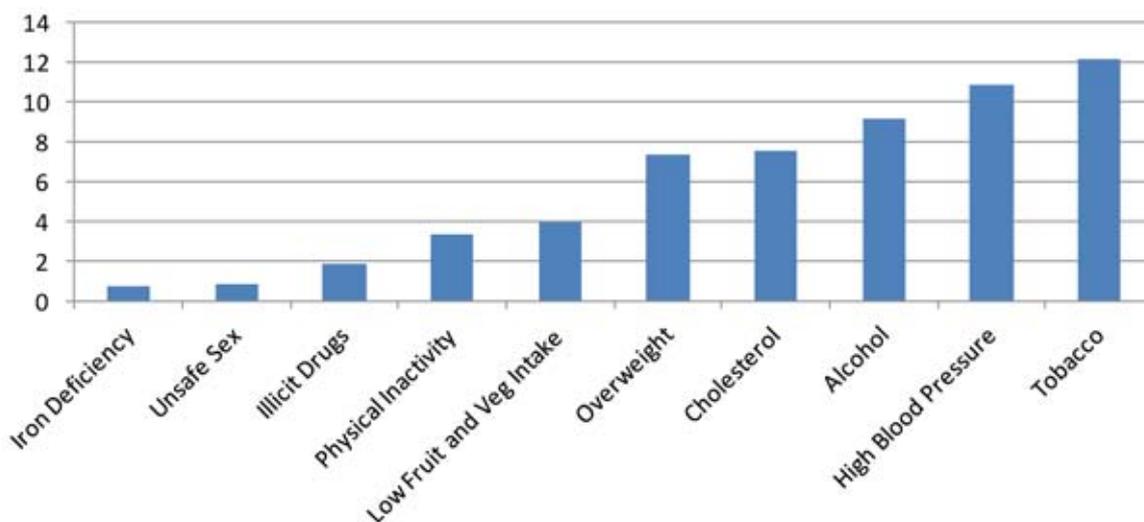
Behavioural approaches have now been applied by BIT to a range of major domestic policy areas. Health stands out as making rapid early progress and an important early mover given the large role of behavioural factors in public health, such as smoking and diet. But there has also been good progress in many other policy areas, including environmental behaviour, consumer empowerment, crime, and fraud, debt and error.

### Health

It is estimated that more than half of all years of healthy life lost are as a result of behavioural factors, including smoking, diet, alcohol and unsafe sex (see table below). Many of these risk

behaviours are strongly affected by the behavioural influences around us. Despite this, most of health spending and research is on secondary health care. For these reasons, public health was an early priority for our work.

#### Percentage of healthy years of life lost attributable to behavioural factors (World Health Organization data, 2002)



DH, at both ministerial and official level, has been extremely supportive, and our work has been characterised by a strong partnership from the outset. The Chief Medical Officer has been especially helpful, seconding staff to BIT both to ensure smooth working with DH and to acquire expertise that DH could retain in the longer term – a practice that has served as a model for later projects. The result was reflected in the Public Health White Paper,<sup>1</sup> published in November 2010, with a strong behavioural theme; a subsequent paper<sup>2</sup> exploring practical examples of applying behavioural insights to health; and in the ongoing outputs of the Public Health Responsibility Deal with business, consumer groups and health experts.

This remains a very active and promising area, with DH taking full ownership. Early applications are described below.

### **‘Required choice’ for organ donation**

This went live on the DVLA website – the largest channel for organ donor sign-up in the UK – in July 2011. Applicants will now be asked if they wish to register as an organ donor as a ‘required choice’, i.e. they need to answer the question to complete the transaction. They can, of course, simply indicate that they do not wish to become a donor at this time. In contrast to the practice of ‘presumed consent’ – where people are assumed to be donors unless they explicitly opt out – ‘prompted choice’ retains the individual’s active choice. Required choice is estimated to double the percentage of people voluntarily joining the register over time to around 70%. This equates to adding around 1 million people to the register over this Parliament alone – more if other channels for donation follow suit.

### **Smoking – both making it easier to quit and reducing harms for those who do smoke**

Smoking remains the biggest preventable cause of death in the UK, killing over 80,000 a year in England alone. Given the severity of the effects of smoking, the desire of the majority of smokers to quit, and the fact that most smokers start smoking regularly before they are 18 years old, this is an area in which DH has been right to pursue policies relatively far up the ‘ladder of intervention’. Areas in which DH is drawing on behavioural insights include:

- **continuation of effective quit smoking marketing campaigns**, including efforts to break down how to quit into manageable steps and actions;
- **ending the display of tobacco products in shops;**
- **exploring new products for people addicted to nicotine** – products that deliver nicotine quickly in a fine vapour instead of as harmful smoke could prove an effective substitute for ‘conventional smoking’. It will be important to get the regulatory framework for these products right, to encourage new products, which smokers can use as safer nicotine alternatives, to be made available in the UK.<sup>3</sup> A tenet of behaviour change is that it is much easier to substitute a similar behaviour than to extinguish an entrenched habit (an example was the rapid switch from leaded to unleaded fuel). If more alternative and safe nicotine products can be developed which are attractive enough to substitute people away from traditional cigarettes, they could have the potential to save tens of thousands of lives a year; and

<sup>1</sup> HM Government (2010) *Healthy Lives, Healthy People: Our Strategy for Public Health in England*

<sup>2</sup> Cabinet Office Behavioural Insights Team (2010) *Applying Behavioural Insight to Health*

<sup>3</sup> Treating smoking-related diseases costs the NHS £2.7 billion each year in England. Only 21% of adults now smoke, compared with nearly half of all adults in the 1960s. A review by the Medicines and Healthcare products Regulatory Agency concludes that ‘nicotine, while addictive, is actually a very safe drug’. BIT is working with DH on how to encourage smokers to substitute to safer but nonetheless appealing sources of nicotine, noting that products that produce a fine vapour appear to reproduce the pleasant ‘hit’ without the harms associated with smoking.

- **trailing new ways of encouraging people to quit.** BIT and DH are also working in partnership with Boots and Professor Robert West, a leading UK academic in the field of smoking cessation, to trial ways to encourage more smokers to quit smoking successfully. Research suggests that combining behavioural and pharmacological support gives smokers the best chance of quitting. The trials will investigate whether combining this approach, which has been adopted by the NHS as a best practice model, with small but well-targeted incentives can increase both the number of people who sign up to the quit smoking programme and the number who successfully quit as a result. The trial will be a cluster-randomised design, and will involve several regions of the UK in order to ensure that results are generalisable to the population at large. Results are expected in 2012 and will be made publicly available, including through academic journals.

### **Healthier diets and the Public Health Responsibility Deal**

Diet is a major contributor to health, and is the classic example of how behaviour is driven by a wide range of influences. This area has been a major focus of DH's Public Health Responsibility Deal, and will continue to be so going forward. The advantages of this approach, which seeks to develop voluntary agreements between government, industry and voluntary organisations, are that it has enabled actions to be taken relatively rapidly; created opportunities for experimentation and competitive leadership in corporate responsibility; maintained market responsiveness; and that it still leaves the door open to more conventional regulatory approaches should voluntary approaches fail to deliver.

Interventions introduced so far have included:

- **reducing salt in pre-prepared food.** High salt intake is the main contributor to hypertension, which increases the risk of heart disease and strokes. As part of the Public Health Responsibility Deal, food industry partners have agreed to reduce levels of salt in food to meet targets by the end of 2012. Collectively, this will deliver a further 15% on the 2010 targets, the equivalent of nearly 1g per person per day against the 2007 baseline. It is estimated that this will save around 4,500 lives a year, mainly from strokes caused by hypertension.

### **Alcohol – using multiple approaches**

Building on existing, mainly regulatory policies around licensing and under-age sales, a range of other interventions have the potential to reduce harms associated with alcohol. Some of these have been picked up across government and others outside government. They include the following:

- **Price signals** – such as larger tax differentials between high and low strength beers, announced in the last Budget
- **Social norms** – increasing awareness about actual levels of drinking by others. Some studies have shown that this can be an effective way of reducing excess drinking, as most people overestimate how much others drink. This approach is now being tested through a specific 'Drinkaware' campaign with students in Welsh universities.
- **Reducing the prominence of alcohol in store.** Through the Public Health Responsibility Deal, Asda pledged to remove alcohol from the front of its stores from April this year, joining Morrisons and Waitrose, both of which have never adopted this practice.

- **Reducing alcohol ‘dosage’ through smaller portion sizes and reducing default alcohol strengths.** Heineken is leading the way with its recent Responsibility Deal pledge to remove 100 million units of alcohol by lowering the strength of one of its major brands. This single pledge is the equivalent of reducing total UK alcohol intake by 0.3%. We know of others who are preparing to make similar commitments, while others are keen to join the future work on this. The introduction of ‘schooners’ ( $\frac{2}{3}$  pint glasses) as an option in pubs from October can support further opportunities.

### Health care – behavioural approaches can offer practical approaches to saving both lives and money

Though we have focused primarily on public health in our work with DH, there are a number of impressive applications of behavioural approaches within clinical settings. These include the following:

- **Redesigning prescription charts.** The majority of hospitals in the NHS still use paper prescription charts that contain details of all the medications patients are to take while in hospital. Analysis shows that many such charts are incompletely filled (e.g. not recording pre-existing allergic reactions); are hard to read (e.g. confusion between micrograms or milligrams, and indecipherable signatures); and are not updated (e.g. whether or not a course of antibiotics should continue). Approximately 7% of prescription charts are imperfectly filled in, potentially totalling as many as 65 million per annum. This leads to increased costs and the potential of significant harm. BIT has funded a redesign of a hospital prescription chart, which is now being trialled in two hospitals.<sup>4</sup>

- **Checklists and reduced social hierarchies in clinical teams.** Checklists have been found to be highly effectively at reducing error. The strong social hierarchies in clinical teams can result in less senior staff not challenging errors, even if spotted. Team training has been found to be highly effective at reducing such errors.
- **Reducing missed appointments.** ‘Did not attends’ (DNAs) are a major burden to the NHS, as well as to other services, with one estimate suggesting that there are over 6 million DNAs annually. Trials have shown that DNAs can be reduced by nearly a third through the use of a combination of simple behavioural approaches (see box below).

#### Reducing missed appointments by 30%

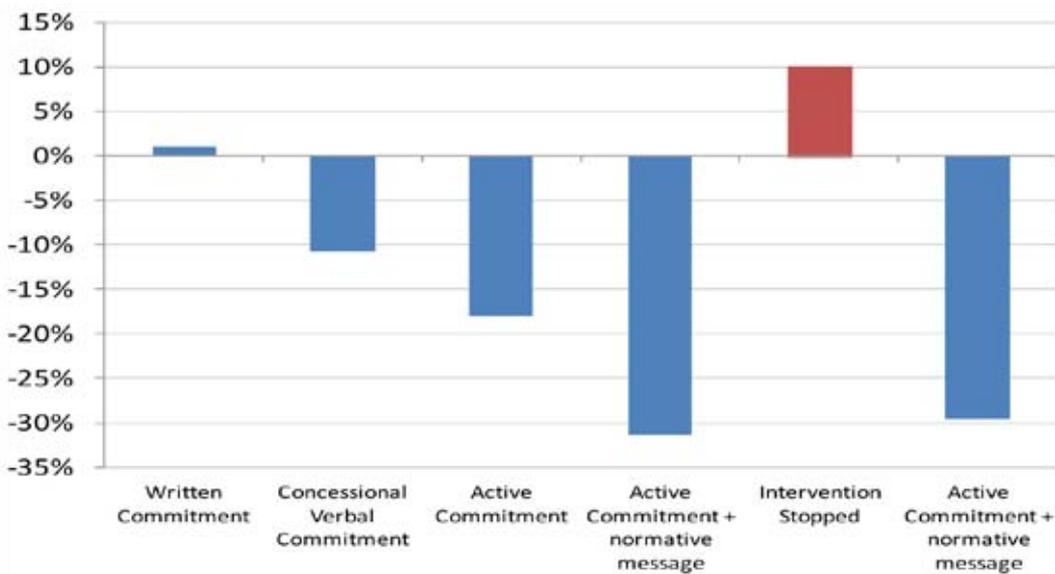
DNAs are those instances when an individual does not turn up for their appointment. NHS Bedford worked with the organisation Influence At Work, to test ways of encouraging people to attend their appointments without resorting to heavy-handed punishments. A variety of methods were employed, including:

- prompting patients to verbally repeat the time and date of their appointment to staff;
- asking patients rather than the nurse to complete the appointment card (active commitment); and
- using a normative message that indicated the number of patients who usually turned up promptly to their appointments.

DNAs reduced by 11% following the prompt, by 18% following the active commitment, and by 31% when the active commitment was combined with the normative message (see the graph on the next page).

<sup>4</sup> This work is an IDEAS Project being led by Dr Dominic King, Clinical Lecturer in Surgery, Imperial College London

## Impact of different behavioural interventions on DNAs over six months



## Consumer empowerment and growth

Developments in information technology now make it much easier for consumers to purchase goods and services, to find out which is the best hotel in a given area, or to compare the quality of tens of thousands of different products, from cars to homes to holiday insurance. These developments are of course largely positive: they allow consumers to choose products and services that suit them best, and can help them to lead healthier, wealthier and happier lives. They also help to promote growth, productivity and innovation in markets by rewarding the most efficient and responsive businesses.

However, these developments create challenges as well as opportunities. The challenge for consumers is often in knowing what is relevant information and what is not; knowing what information is accurate and what is not; and what information can be trusted and what cannot. And we do not (yet) have an environment in the UK in which consumers are readily able to access, control and use information that businesses hold about them.

BIT has been working closely with BIS on a radical new programme of work, leading to the publication of a consumer empowerment strategy, *Better Choices: Better Deals* (April 2011). There are a number of different strands to this work, which are briefly described below.

### **mydata – making informed choices easier – with first applications by early 2012**

We are helping consumers to access, control and use data held about them by businesses through a radical new programme of work called 'mydata'. Around 50 leading businesses, covering financial services, retail, utilities, telecoms and online platforms, have agreed to work with government on 'mydata', and sector boards have been established to drive progress, which are being chaired by Professor Nigel Shadbolt. The potential applications of 'mydata' are very wide ranging. They might enable a consumer to identify which of the 12 million mobile phone contracts is the best for them (based on their past 12 months' usage); to understand what the average fat content of the food they purchase from supermarkets is; or to find out whether there might be better ways of saving their money or using their credit and debit cards. By helping consumers to access their own data, we believe a market in useful apps and websites will be stimulated – these will be able to analyse a consumer's data, to make choosing the best deal easier.

### **The power of the crowd – consumers working together**

We will continue to work with BIS to introduce a range of new initiatives that will support the development of collective purchasing and collaborative consumption, along with new measures to help to protect the integrity of consumer feedback and online comparison sites. These include the following:

- Working with the new **Community Organisers** to encourage local areas to develop their own collective purchasing deals.

- **Piloting collective purchasing schemes** in which we encourage the uptake of products that support consumers and help to achieve government objectives (such as energy efficiency measures in homes – see below).
- **Supporting the development of a self-regulatory quality mark for web and comparison sites.** Features might include a commitment to transparency on financial interests and robust public feedback on consumer experiences.
- **Developing public satisfaction feedback loops across public services** – as set out in the recent Open Public Services White Paper. This includes ensuring that such satisfaction data is easily available, and we are delighted that consumer groups such as Which? now intend to expand into this area.

### **Better access to performance and complaints data**

In conjunction with BIS and the Cabinet Office Transparency Team, we are making changes to the way in which the Government enables access to performance and complaints data held by public bodies, including the following:

- **Setting an expectation** that regulators, departments and public service providers release the performance and complaints data they hold.
- **Encouraging the publication of this data** in a form that allows easy and appropriate comparisons (e.g. by market share).

## Energy efficiency and climate change

Increasing the energy efficiency of buildings is an effective way of cutting carbon emissions. But though businesses and households can usually stand to save substantial sums of energy and money by introducing energy efficiency measures, many people do not do so. For example:

- Of the 23.3 million UK homes that have lofts, only 13.2 million have loft insulation, despite the fact that the cost of insulation can pay for itself in less than two years.
- Of all UK homes that could have cavity wall insulation, only half have undergone this kind of insulation.
- Of the 6 million homes that have solid walls, just 100,000 have had solid wall insulation fitted.

There are many reasons for this low take-up, one of which is that the benefits of energy efficiency improvements are usually accrued over a long period of time – and are therefore strongly psychologically discounted – while the costs or hassle associated with their introduction are relatively immediate and salient.

In order to address these behavioural issues in the domestic, private and public sectors, BIT formed a joint project team with DECC and the Department for Communities and Local Government (CLG). The primary focus was to establish what might be done to stimulate consumer demand in advance of the roll-out of the Green Deal. The work has also focused on the Government's own carbon emissions – including the Prime Minister's commitment to reduce emissions from government buildings by 10%

within a year; led to policy changes in several areas; and established a range of controlled trials to test a variety of new behavioural insights. These are described below.

### Smarter incentives to encourage energy efficiency

A series of field trials with commercial and local authority partners have been set up to test whether different behaviourally-based interventions can increase the likelihood of people making energy efficiency improvements in their homes. These include the following:

- **Providing individuals with small upfront rewards** for putting in place energy-efficient improvements. Though small in value, these may prove more salient than the longer-term gains from the improvements. We are also experimenting with different types of upfront reward, notably shopping vouchers (in conjunction with Homebase and Argos) and a one-month council tax 'holiday'.
- **Developing incentives that trigger 'social proof'**. One of the most powerful influences on individuals is the behaviour of other people. A trial with B&Q, together with Kingston and Merton Councils, will offer a discount for 'green' products that increases with the number of neighbours who sign up. In addition to the effect of the discount itself – which has a good commercial basis as it is often cheaper to insulate several adjoining houses at once – we hypothesise that the awareness that others are installing energy improvements will in itself boost take-up. Control areas will receive similar offers but without the linking of discounts to the signing up of neighbours.
- **Reducing the upfront hassle by subsidising loft clearance**. A specific barrier for loft insulation has been found to

be the physical (and psychological) effort of clearing cluttered lofts. This trial, in Sutton, will therefore offer a loft clearance service, with the option of donating unwanted contents to a local good cause.

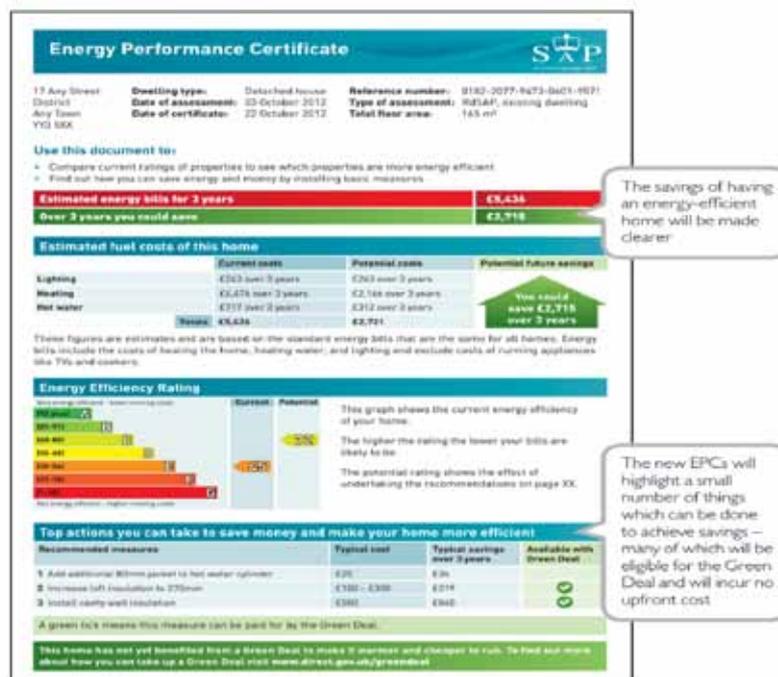
- **Offering community rewards for uptake of household efficiency improvements**, such as contributions to a micro-generation scheme for a community centre, or support for some other local good cause, for each extra household that adopts improvements (E.ON in collaboration with a local authority).

### Helping people to reduce their energy use through better information – and subsequent recognition in higher capital values

A recurring finding is that information per se often has only limited impact on behaviour. How it is presented is critical, so we have worked on improving the salience of the information we provide:

**The new EPCs will focus on (i) how much it will cost to heat and light the home, and (ii) the actions that can be taken to save money.**

- **Redesigning Energy Performance Certificates (EPCs) for 1.4 million households per year.** Users find the current EPC confusing and the evidence suggests that they have little impact on people actually making energy-efficient improvements in the home. We have therefore worked with DECC and CLG on a redesign of the form, which makes the costs and savings of running a given property much clearer. There will be just one graph of the home's energy efficiency, and clear recommendations of how much can be saved through specific actions. We will also trial variations in the form, such as whether savings are expressed over one, three or five years. The revised forms will go to an estimated 1.4 million households per year from 2012, together with details about supplementary information that can be offered by independent providers.



- **Feedback through smart meters and bills, helping households to save money.** Evidence shows that consumer feedback on energy use – both within the household and relative to other households – can lead to modest but consistent reductions in energy use. Estimates from US trials suggest typical savings of around 2–4% on energy use, noting that careful design is necessary to avoid ‘rebound effects’ whereby efficient users increase their use.<sup>5</sup> We have worked with Opower and First Utility to trial alternative forms of feedback from smart meters, more salient information on energy bills and more portable data to enable consumers to get better advice from intermediaries (see also the section on consumer empowerment and growth above).

- **Providing information at key moments, such as when moving house.** There is strong evidence that information about sustainable behaviour and products (including transport) is far more impactful at certain times than others, notably in the wake of moving house. We are working with a major mortgage lender and an independent mortgage switching site to establish a practice of factoring in energy improvements to house loans, linked to assessments built into the new EPCs. With around 1 in 10 households moving per year, this represents a key opportunity to upgrade the UK housing stock within a decade. We are also investigating how prompts might be linked to the £2.8 billion spend on winter fuel payments, given clear evidence that people strongly equate this money with keeping warm but don’t necessarily make the link to improving energy efficiency.<sup>6</sup>

- **Nudging valuers to recognise energy improvements in capital values.** An additional disincentive to green improvements is the concern that they will not be recognised in the value of the property, particularly at resale. We have therefore been working with the Royal Institution of Chartered Surveyors, as well as a mortgage lender and a mortgage switching site (see above), to ensure that such improvements become recognised in capital values and lending criteria.

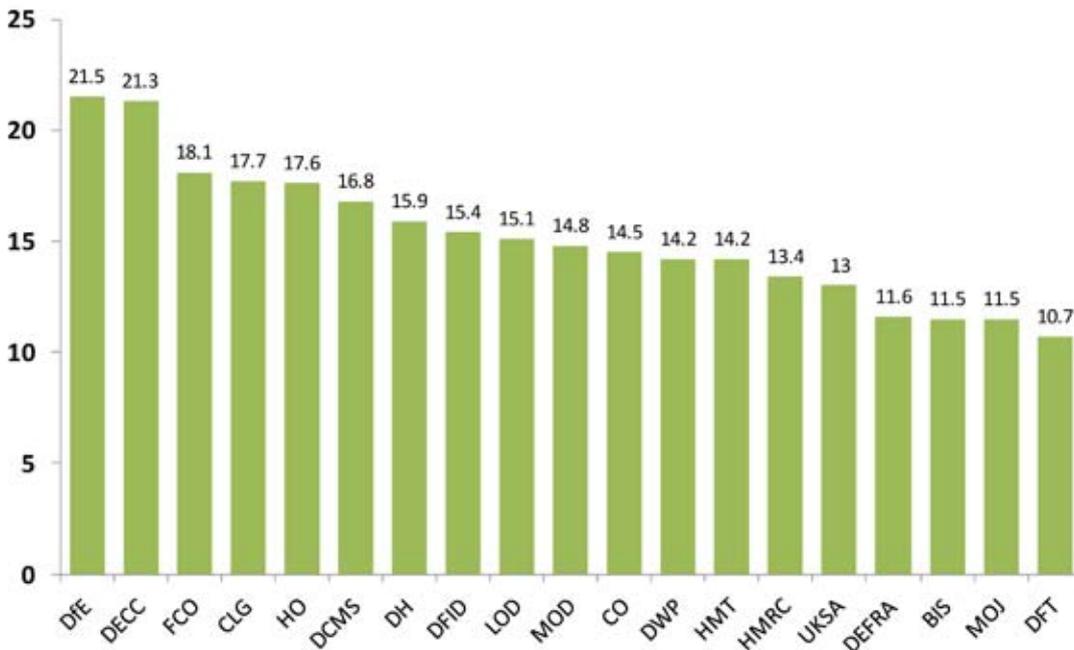
### **Leading by example – reducing central government departments’ energy use by 13.8% over the past year**

The Government has surpassed the objective which the Prime Minister set in May 2010 to reduce departments’ energy emissions by 10% in one year. One of the most powerful ways in which this was achieved was by changing the default energy settings in government buildings to mesh them more tightly with actual use (such as switching on the heating in line with when people arrive, not significantly before then). We also used other behavioural approaches such as showing comparative consumption data as a way of generating a sense of competition between departments (see graph below). As well as saving an estimated £13 million per annum (and an estimated 13.8% of carbon emissions), delivery of this objective also puts government in a much stronger position when encouraging private and voluntary sector organisations to make carbon reductions of their own. In the wake of this success, the Government now plans to achieve cuts of carbon emissions of 25% by 2015.

<sup>5</sup> Rebound effects are a major consideration in drives to improve energy efficiency. UK data shows that often up to 50% of increased efficiency improvements are ‘lost’ due to households increasing the temperature at which a house is subsequently kept (or the amount a more efficient car is driven).

<sup>6</sup> See Beatty TKM, Blow L, Crossley T et al (2011) Cash by any other name? Evidence on labelling from the UK Winter Fuel Payment, IFS Working Papers W11/10, Institute for Fiscal Studies, which shows the remarkably strong tendency of those receiving the winter fuel allowance to use it specifically on extra spending for heat – a strong ‘mental accounting’ effect.

## Central government departments' reduction in energy use May 2010–May 2011 – CO<sub>2</sub> emissions percentage reduction against weather-corrected baseline



## Fraud, debt and error (2011)

Fraud costs the UK economy £38.4 billion per year, or £765 for every adult member of the population. Of this, £21 billion is loss to the public sector; money that could be spent on schools, hospitals and frontline staff. There is a further issue around 'error', which HM Revenue and Customs (HMRC) estimates makes up 22.5% (£9 billion) of the tax gap.

Although there is likely to be a significant minority of professional criminals who make a living from defrauding the tax and benefit system, the majority of fraud and error is likely to be committed by people who regard themselves as 'law-abiding citizens'. Many people may end up committing fraud unintentionally because they are not sure how much tax they owe; because they

feel the system makes it difficult to pay; or because they 'cheat' by small amounts without thinking.

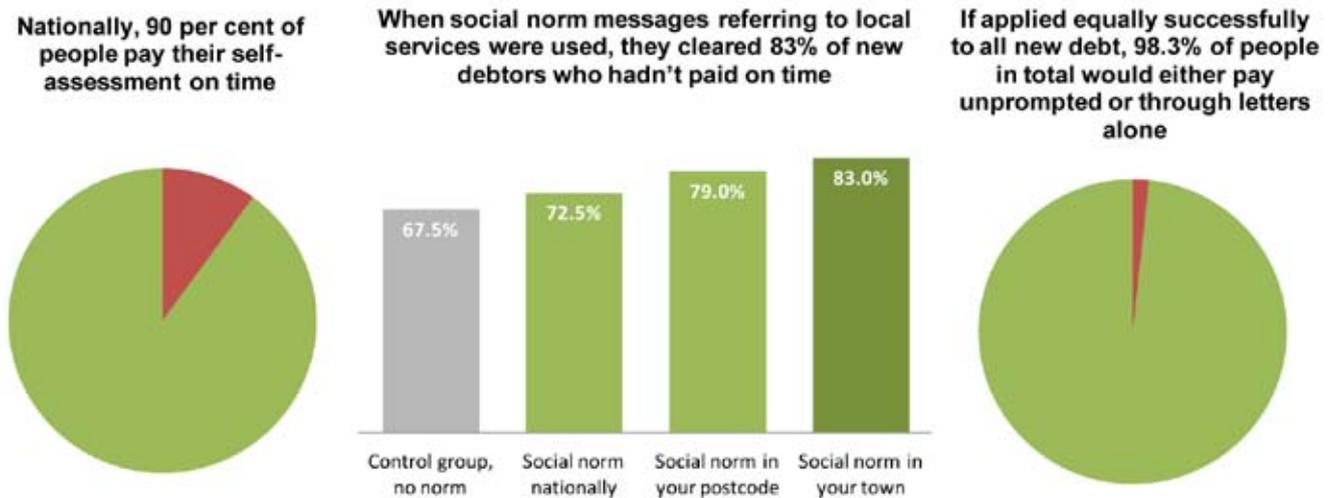
Building on the success of the tax trial work with HMRC (see below), BIT is working with a wide range of government departments, agencies and local authorities to think through ways of reducing fraud, error and debt in the public sector. This work is now feeding into the Cabinet Office Taskforce on Fraud, Error and Debt (chaired by Francis Maude).<sup>7</sup> As with other areas of BIT's work, we are using a trial-based approach, testing behavioural insights with a view to rapidly scaling them up where they prove most effective in reducing fraud, error and debt.

<sup>7</sup> Cabinet Office/National Fraud Authority (2011) *Eliminating Public Sector Fraud: The Counter Fraud Taskforce Interim Report*

## Letters that encourage tax payment

In February 2011, HMRC – supported by BIT – began a trial to establish the impact of altering the messages sent in letters to encourage tax debtors to pay tax owed. HMRC and BIT designed a suite of letters, which were sent to people owing self-assessment tax debts for the first time.

By April, the trial had achieved the following results:



The trial was on a large scale, comprising around 140,000 debts worth £290 million. The results were that letters which informed people that the majority of people in their area had already paid their tax, and which reminded people about the importance of paying tax for their local services, outperformed the control group letters by around 15 percentage points.

That is a significant result, which we will be looking to apply in other areas of debt, fraud and error. We estimate that if the most successful letters were sent to all self-assessment customers, and

the tax collector resource freed up were used to bring in other uncollected Exchequer debts, it would generate £30 million of extra revenue to the Exchequer annually – as well as advancing over £160 million of cash flow by approximately six weeks each year.

HMRC's wider self-assessment debt campaign increased cash-to-bank by more than £350 million in the first six weeks of the campaign, nearly treble the amount collected during the same period last year.

BIT, together with central government departments, local authorities and arm's length bodies, has identified a number of areas in which to launch these trials and scaled interventions. Specific examples of the behavioural techniques that we intend to use are cited below.

### **Making it easier for citizens to do the right thing, and promoting honesty**

Before expecting people to change their behaviour, it is important to ensure that paying the right amount of tax is as straightforward and easy as possible. There is wealth of evidence that making small changes to 'choice architecture' can have a profound impact on honesty and pro-social behaviour.

- **Signing forms upfront to increase honesty.** Research in the US has found that signatures and declarations of honesty are significantly more effective if placed at the beginning of a form than at the end – a field experiment showed that people declared 10% more miles on their car insurance application when signing upfront (resulting in them paying higher premiums).<sup>8</sup> We will be testing whether this simple change to forms can help to generate benefits in the UK. This approach could be combined with a declaration of honesty (e.g. asking claimants to write out at the start of a form 'This is an honest account of the truth'), which can prime people to be more honest.<sup>9</sup>
- **Active nil returns – to reduce fraud by omission.** The overwhelming behavioural evidence shows that people lie less if they have to do so actively rather than passively (e.g. by omitting relevant information). In forthcoming work, BIT will seek to test this by trialling application forms for some taxes

and benefits where key fields will require an applicant to write 'Nil' or 'Nothing to declare' rather than a blank response being taken to mean the equivalent.

- **Prompts for changes of circumstances.** Building on the aim of making the tax system simpler for people to interact with, and the insight that people are much happier to defraud by omission, we are working with the Department for Work and Pensions and local authorities to find ways to prompt people, through SMS messaging, letters and phone calls, to tell us when their circumstances change. Some benefits, such as single person discount for council tax, make it easy for customers to commit fraud 'accidentally' by forgetting to update their circumstances if they are no longer single. By prompting people to update their circumstances, and taking away their discount if they fail to respond, people may be far less likely to end up committing this kind of fraud.

### **Encouraging citizens to pay up, and on time**

A sizeable minority of people and businesses who owe tax, even once this is declared, are slow or reluctant to pay it. This in turn imposes a substantial burden on HMRC in the form of debt collection costs, and places an additional unfair burden on citizens and businesses who do pay.

<sup>8</sup> Ariely D, Shu LL, Mazar N et al (2011), When to sign on the dotted line? Signing first makes ethics salient and decreases dishonest self-reports, *Harvard Business School NOM Unit Working Paper No. 11-117*

<sup>9</sup> Mazar N, Amir O and Ariely D (2008) The dishonesty of honest people: a theory of self-concept maintenance, *Journal of Marketing Research* 45(6): 633–44

- **Harnessing social norms to encourage payment.** We have already successfully demonstrated how informing people about a positive social norm (that most people who live near them have already paid their tax) strongly encourages late payers to follow suit (see box on page 16). To build on the success of these trials, we are working with HMRC on a range of campaigns aimed at those groups which research suggests might be responsible for particularly high rates of fraud, and to consider new ways to encourage people to file and/or pay their taxes early. Interestingly, qualitative feedback suggests that citizens prefer these letters too.

## Crime

The Home Office estimates the cost of crime to England and Wales to be £60 billion, though this figure does not include costs such as those related to fear of crime or quality of life impacts.<sup>10</sup> Although the application of behavioural insights will never, by itself, be capable of addressing all the costs associated with crime, there are a range of areas in which an understanding of behavioural economics and psychology can support a smarter approach to crime prevention.

One such area concerns how we design products, buildings and processes to change the environment in which the crime occurs in order to reduce the opportunities for crimes. This approach – often referred to as situational crime prevention – means making the crime harder or more risky to commit. This approach has been proven to be effective at reducing overall crime (as opposed to displacing it to other areas). Situational crime prevention can also reduce opportunities for ‘gateway’ crimes – such as stealing a handbag or wallet – and can prevent individuals from drifting into a long-term criminal career, or at least delaying its onset.

BIT has been working with the Home Office to explore a range of ideas around situational crime prevention. This has been supported by workshops on specific themes attended by academic experts, industry practitioners and government policy makers. Our initial focus is around three main areas: phone theft; cyber crime and personal theft. Together, these three crime types account for a significant amount of crime in England and Wales. Ideas about crime reduction in this area are summarised below.

### Mobile phone-related crime

Around 850,000 people a year report having one or more mobile phones stolen.<sup>11</sup> There is a range of mechanisms which we believe could support efforts to reduce mobile phone-related crime. In particular, we will work more closely with the industry to consider how mobile phone security can be strengthened in light of the increasing capacity and capability of mobile devices. We are working closely with the Home Office, Which? and the mobile phone industry to consider how consumers can be made aware of the security features available on mobile phones and the potential for misuse should the phone be stolen. This will increase consumer awareness and confidence when purchasing mobile phones and in turn will drive up manufacturers’ responses to mobile phone security.

### Cyber crime

A recent estimate of the cost of cyber crime to the UK each year is £27 billion (this does not take into account social costs, as other estimates of crime costs do).<sup>12</sup> Many argue that we need to begin to see the internet as we might see other utilities, such as domestic electricity – in other words that it should be safe to use when following simple rules. Ideas include the following:

<sup>10</sup> Brand S and Price R (2000) *The economic and social costs of crime*, Home Office

<sup>11</sup> *British Crime Survey 2007/08*

<sup>12</sup> Detica/Cabinet Office (2011) *The Cost of Cyber Crime*

- **Using transparency around internet service provider (ISP) performance to reduce cyber attacks.** We want to encourage large ISPs to do more to reduce infected computers by addressing malware and botnet activity on their networks.<sup>13</sup> Both the Cyber Security Strategy and the Cyber Crime Strategy, shortly to be published by the Government, will set out the principle that government and the private sector need to work together to tackle such threats.
- **Active prompts for new users to choose anti-virus software.** Prompted choice mechanisms for anti-virus software could improve the security of home computers. Providing users with the means to make a decision on anti-virus software (perhaps through the development of a kitemark system) could give users a sense of self-efficacy in protecting their computer and help to familiarise them with the mentality to protect oneself online. For many people, protecting oneself online is a difficult concept to understand and the benefits offered by anti-virus packages can be no less opaque. If those consumers are required to make a decision, and equipped with the necessary information to do so (i.e. explaining the specific benefits of a range of anti-virus software packages), they may feel more empowered to make the right choice about anti-virus software.
- **Prominent reporting buttons to warn other users.** There is evidence that peer-based feedback can powerfully shape behaviour and indeed markets. We believe that such feedback on unsafe or fraudulent websites, through prominent 'reporting buttons' on a desktop app or browser, may provide a more meaningful warning to consumers (e.g. "467 people thought this

website was suspicious") than the generic warnings that people have learnt to ignore. Such citizen-based feedback can also 'regulate' a market far more rapidly and effectively than conventional approaches.

### Behavioural research into people's behaviour online

It is interesting to consider how people's behaviour is different online. Experiments have been conducted to show how specific configurations of contextual cues can give rise to different levels of disclosure in online situations. For example, some findings have counter-intuitively shown that people are more likely to disclose sensitive information to websites perceived to be less secure – more secure websites were more likely to trigger privacy concerns. These findings go against previous privacy research based on the assumption of rational choice.<sup>14</sup>

**Personal theft – approximately 44% of thefts from persons (over 230,000 crimes)<sup>15</sup> at an average cost of £634<sup>16</sup> each, occur in public-facing commercial environments.** A further 245,000 thefts a year of unattended personal property also occur in these environments.<sup>17</sup>

<sup>13</sup> Stronger market-based incentives exist for smaller ISPs to act quickly and effectively

<sup>14</sup> John L, Acquisti A and Lowenstein G (2011), Strangers on a plane: context-dependent willingness to divulge personal information, *Journal of Consumer Research* 37(2): 858–73

<sup>15</sup> *British Crime Survey* 2009/10

<sup>16</sup> Dubourg R and Hamed J (2005), Estimates of the economic and social costs of crime in England and Wales: costs of crime against individuals and households, 2003/04, in *The Economic and Social Costs of Crime Against Individuals and Households 2003/04*, Home Office online report 30/05

<sup>17</sup> *British Crime Survey* 2009/10

**Data from the *British Crime Survey* 2009/10<sup>18</sup> and data on recorded crimes (2009/10)<sup>19</sup> suggests that theft from persons tend to be under-reported**



Again, BIT has identified a range of proposals for reducing third-party thefts, in particular those occurring in and around commercial environments. These include the following:

- **Providing information to businesses and local communities on the incidence of crimes in commercial environments.** This will enhance the incentives for businesses to take actions. A number of behaviourally inspired approaches have been shown to dramatically reduce such crimes, such as 'Chelsea clips' in bars (a clip attached to tables and bars that makes it much harder to steal a bag) or supermarket trolleys that incorporate a covered container for a handbag. Building on the success of street-level crime maps through Police.uk, we are working with the Home Office and the police to examine how

crime data and maps could be used to greater effect to raise the awareness of crime perpetrated by customers against other customers within commercial premises, influencing customer behaviours, and encouraging additional action by business owners to reduce risk of crime within their stores.

- **Making citizen-to-citizen reporting of crime easier.** Crime types such as personal theft are substantially under-reported. The *British Crime Survey* suggests there are over half a million thefts from persons each year; yet less than 1 in 5 of these (92,000) are reported to the police, and less than 1 in 100 (3,000) result in action being taken. Self-reporting mechanisms could be established to address this gap using crime maps, providing powerful feedback to other citizens and commercial operators enabling them to address the issue – and without imposing any further burden on the police. Similarly, we plan to investigate whether credit card companies and banks could establish where thefts have occurred when people report stolen or missing cards – which is done at a far higher rate than reports to the police. This information could then be 'mashed' with crime maps, again applying pressure on high-risk commercial environments to address the issue, thus reducing crime and costs to citizens without burdening the police.

BIT was invited to present the outputs of its work at the inaugural meeting of the Home Office's Forum for Innovation in Crime Prevention in June 2011. Baroness Browning and members of the Forum welcomed the presentation and the opportunity to discuss behavioural change more

<sup>18</sup> The *British Crime Survey* is a face-to-face victimisation survey in which people resident in England and Wales are asked about their experiences of crime in the 12 months prior to interview. From this, estimates of crime are extrapolated for the report. The *British Crime Survey* is limited to crimes against adults resident in households and so excludes a number of crimes (e.g. homicides, crimes against businesses and other organisations, and drug possession).

<sup>19</sup> Recorded crimes are those crimes that are recorded by a police force in accordance with the Home Office Counting Rules. Offences detected are those that have resulted in a charge, caution, penalty notice for disorder or a cannabis warning.

widely and invited BIT to work with Forum members and officials to help scope a number of possible Forum projects in more depth. The Forum will decide which projects to take forward when it meets in October.

## Other policy areas

In addition, BIT provided advice on a range of other policy areas. These are summarised below, some of which are ongoing.

### **Giving of time and money – making it easy and transparent to give**

BIT advised on both the Green and White Papers on Giving. Policies have included:

- **Round the Pound and ATM giving.**

These innovations hinge on a simple prompted choice at the edges of a financial transaction, making it easy and potentially habit forming to give money. Trials with Domino's Pizza of a version of rounding up a bill to the nearest pound showed that the mechanism was popular with customers and able to generate significant sums in charitable donations (The Pennies Foundation, which works via a prompt when paying by credit card). It is our view that further innovations are possible in this area, such as local restaurants and other businesses setting a default 1–2% donation on bills that people can opt out of if they choose.

### **Restaurant donations**

Work conducted for BIT by Mountainview Learning, a behavioural training and research provider, looked at ways to encourage charitable giving in the Jamie Oliver-inspired restaurant, Fifteen Cornwall. They tested the effects of message framing, donation by default, engaging customers' reciprocity and the effects

of focusing on individual charity recipients. Results suggest that using defaults may be most effective. Donations provided in envelopes left on diners' tables elicited on average 15p per diner. On other days, when £1 per diner was automatically added to customers' bills, average donations were 83p. This represents a charitable donation of 1.2% of the average diner's restaurant spend.

While Fifteen Cornwall is unusual as a charitable restaurant, if half of this effect was replicated across all UK restaurants (£9 billion sales) it could generate donations of over £50 million.

- **Harnessing the power of reciprocity.**

At the heart of the Prime Minister's Big Society agenda is the creation of opportunities to foster 'people helping people' exchanges. Complementary currencies and time banks offer a mechanism to connect people and unlock underutilised community capacity, such as the time and skills of local residents. Emerging evidence from the UK (Spice, Rushey Green, Bromley) and internationally (Fureai Kippu/Japan, Ithaca Hours/US) suggests that complementary currencies have the potential to significantly increase the giving of time. The Green and White Papers on Giving announced approximately £40 million for investment in volunteering and social action; a key focus of the fund will be on expanding approaches which foster greater reciprocal exchanges. The papers also announced the development and testing of two complementary currencies approaches in England:

- the Spice Community Time Credits programme, which aims to increase civic participation in a minimum of six areas; and
- the CareBank project pilot, which aims to support the delivery of low-level social care in the Royal Borough of Windsor and Maidenhead.

## Promoting social mobility – raising aspirations and spreading capital

BIT has worked with the Deputy Prime Minister's office to consider new ways of encouraging social mobility.

- **Raising aspirations.** A key objective is to encourage young people to consider a range of careers and to aim high in considering further and higher education options. Young people from disadvantaged backgrounds tend to have less awareness of professional career options, which can adversely affect their subject choices and focus. They subsequently tend to under-apply to leading universities, even if their grades are good enough. BIT has also pushed for enhancing the Destination of Leavers from Higher Education Survey (and expanding it to include further education and Apprenticeships) to provide a powerful and authentic feedback loop for prospective students.
- **Spreading capital by encouraging saving and bequests that skip generations.** A key finding is that having even small amounts of financial capital seems to encourage wiser long-term choices in young people. Lottery-based savings products that are easy and can be bought in small amounts have been shown to be highly effective at boosting saving in poorer segments<sup>20</sup> and could be encouraged in the UK (though the impact on the existing Lottery needs to be considered). Another long-term option is to make it easy for the moderately affluent to set up a descendant trusts for their grandchildren and great-grandchildren – if just one-third of people did this, it would create child trust funds for more than 80% of the population within a generation.<sup>21</sup>

## Relationships and parenting – making it normal to ask for help

Most marriages, partnerships and parent–child relationships go through difficult periods, yet many people feel embarrassed to ask for advice, or do not know where to go for it. This is an issue that the Prime Minister has taken a personal interest in, highlighting the value of strong family and personal relationships in society.

- **Parenting** – Parenting is a key driver of many child outcomes and is a learned skill – it is what parents do, not who they are, that matters. There is robust evidence that parenting interventions can strengthen parenting skills. Incorporating more focus on parenting in ante- and post-natal classes is an obvious early step. New technology is also providing innovative products and services such as interactive games and online parenting programmes, which have the potential to be a highly cost-effective and accessible way of improving parenting skills.
- **Engaging fathers.** There is good evidence that children with involved fathers do significantly better than those without. However, many cultural barriers exist which inhibit the effective engagement of fathers in parenting and early years services. For example, public services sometimes direct communications only to mothers of young children. As a simple first step, explicitly addressing letters to both mothers and fathers can create a useful signal for joint involvement.
- **Networks and messengers.** The government digital estate provides multiple opportunities to signpost enquiries to support services, such as Relate. This should also occur through professional networks, such as health visitors, GPs and registrars, since these are often viewed as trusted 'messengers'. Similarly, media campaigns and agony aunts can be utilised to normalise relationship problems and support.

<sup>20</sup> Tufano P (2008) Saving whilst gambling: an empirical analysis of UK premium bonds, *American Economic Review* (Papers and Proceedings)

<sup>21</sup> See Halpern D (2010) *The Hidden Wealth of Nations*, Polity Press, pp 161–3.

## Well-being

One of the recurrent findings of the behavioural literature is that we often make decisions that we later regret, from eating too much cake to our career choices.

- **Informing choices – learning from the experiences of others, by publishing data on how subjective well-being varies by area, career choice etc.**

Though it is not possible literally to speak to our future selves, we can do something like it by learning from the experiences of others. The publication of subjective well-being data – notably through the Integrated Household Survey (Office for National Statistics) – can help inform citizen choices.

- **Refreshing *The Green Book*.** HM

Treasury's *The Green Book* provides guidance about how policy makers should evaluate policy options. Behavioural economic findings have highlighted a number of areas in which established methods, such as expressed preference, can be misleading and how they can be improved or enhanced.

- **Social impact – the Prime Minister's challenge.** The Prime Minister has highlighted how policy makers need to consider the full range of impacts on well-being when making policy judgements. This has led to the development and trial of a more sophisticated 'social impact test'.

## Case study: does consumption make you happy?

We know that, generally speaking, richer people – and richer nations – are happier. Yet a key puzzle, often known as the Easterlin Paradox, is that economic growth within countries (and among individuals) often fails to lead to a corresponding increase in happiness or life satisfaction.

One explanation is that many forms of consumption are associated with 'adaptation effects' – the novelty of a new car soon wears off. Some of the gains are also lost through comparison effects – our new car makes our neighbour less satisfied with their old car. At the same time, some types of 'good', such as the vibrancy of civil society and the extent to which we feel that other people can be trusted, drive both growth and well-being.

Researchers have found that people often appear to have only limited insight into the relationship between how they spend their money and their well-being. For example, when subjects were asked whether they would be made happier by spending \$20 on a treat for themselves or by giving it away, a clear majority concluded that they would be happier spending the money on themselves. Subjects were then actually given \$20 and asked to spend it either on themselves or someone else. The clear result? Subjects who spent the money on someone else ended up significantly happier<sup>22</sup> – a result also replicated in general population studies of spending behaviour.

<sup>22</sup> Dunn E, Gilbert D and Wilson T (2011) If money doesn't make you happy, then you probably aren't spending it right, *Journal of Consumer Psychology* 21: 115–25

## Public service reform

The Government's proposals to increase choice, decentralisation and contestability raise challenges that are increasingly familiar to behavioural science. For example, we know that the ability of people to absorb information relevant to choices depends heavily on how it is presented. Similarly, the spread – or inhibition – of best practice across social networks and institutions rests heavily on social and behavioural factors; and the effectiveness of incentives on citizens and providers can be better understood through the lens of behavioural economics.

## Reducing regulation – the Red Tape Challenge

Most regulations were formed with good intentions and generally with a clear purpose in mind. Efforts to reduce regulation are therefore much more likely to succeed if policy makers – and citizens – can see an alternative process that will deliver the same or better outcome. BIT is therefore working alongside the Cabinet Office Red Tape Challenge Team to identify such alternatives. Examples of the approach are described below.

- **Using transparency and feedback loops.** Most people are familiar with the power of feedback loops from other consumers through platforms such as eBay, Amazon and TripAdvisor. Such platforms, when well designed, have powerful self-regulatory dynamics, with poor products and services sanctioned directly by the

decisions of other consumers. More recently, feedback loops have started to become more tailored, with feedback coming from people you know, or friends of friends. Such bespoke feedback can be more relevant, persuasive and harder to game. Most regulations, and regulators, were constructed in a world before citizen-to-citizen feedback loops, raising the question of whether such mechanisms could help to support their work. Practical examples include customer feedback about sickness after eating in restaurants (as a trigger for health and safety inspections), or worker satisfaction surveys that apply pressure on firms to maintain good practices without reliance on employment law.

- **Encouraging whistleblowers.** The wider literature on regulatory failures has shown that often regulators fail to pick up problems that were widely known within a business or service.<sup>23</sup> Similarly, a number of potentially disastrous failures have been prevented, or at least limited, by the action of whistleblowers. In the US, recognition of this phenomenon has led to the increasing practice of offering substantial rewards to whistleblowers whose evidence leads to the identification of significant harms (such as malpractice or overcharging in medicine). Such use of rewards proportionate to harms could be used as an alternative to blanket regulation and particularly to blanket inspection and enforcement.

<sup>23</sup> See Harford T (2011) *Adapt: Why Success Always Starts with Failure*, Little Brown, for a recent and accessible summary of this literature.

## 3. Embedding the approach

Good progress has been made towards BIT's second broad objective – spreading understanding and skills. In general, Whitehall has responded very positively to the work of BIT, and we are grateful to departments whose staff have worked closely with us and with whom we have co-written a number of papers. In some cases departments have chosen to co-locate staff or to create joint project teams with us to learn 'hands on' how behavioural insights can be applied to policy, and this has worked particularly well. We have also run a large number of seminars across Whitehall which have helped to improve understanding.

### The Whitehall seminars

One of our key objectives has been to increase awareness across Whitehall about behavioural effects and their policy implications. With strong support from Robert Devereux, head of the policy profession and Permanent Secretary of the Department for Work and Pensions, a series of half-day seminars was organised across Whitehall which included an in-depth exploration of behavioural insights. Each session was chaired and led by a Permanent Secretary, and attended by 30–60 Senior Civil Servants from a mixture of departments.

At these sessions, a member of the team presented the MINDSPACE framework – the joint Cabinet Office/Institute for Government paper on how behavioural insights can be applied in practice. This was then followed by a discussion about how participants might apply these insights in a range of different policy areas.

In total, BIT helped to deliver 11 seminars, attended by 400 Senior Civil Servants from 18 different departments. Feedback from these sessions was consistently strong – four out of five attendees put them in the top two out of five categories for how useful they were for their policy work.

In addition to these formal seminars, BIT has held a wide range of workshops, presentations, brainstorming sessions and informal discussions with almost every single government department. We have also presented to the annual conferences of the Government Economic Service and Government Social Researchers; committees in both the House of Lords and House of Commons; and the Academy of Social Sciences (representing a membership of 87,000 social scientists in the UK).

## Using experiments: an empirical approach to policy making

One of the characteristics of the BIT approach has been the extensive use, and encouragement of, experiments.

**Fifty years of research have led to the documentation of a large variety of behavioural effects**, many in laboratory settings. With such a multitude of effects, it is difficult to be confident as to exactly how they will operate when applied in a different area or setting. Consequently it is important for us to try out behavioural interventions on a small scale to test their efficacy – and public acceptability – before promoting their adoption on a larger scale.

The HMRC tax trials, smoking cessation trial with Boots and the recent paper on encouraging energy conservation are good examples of this new approach (see above for details, and the box on page 28 for media response). The energy paper, for example, contained a set of trials, conducted in partnership with businesses (such as B&Q, Homebase and Opower) and with local councils (such as Sutton, Kingston and Merton). We are fairly confident that each of these trials will yield positive results, but by using a trial-based approach we will be able to test the efficacy of different interventions prior to a major government programme (in this case the Green Deal) going live.

**We would like to go further.** We believe that it is possible – and highly desirable – to build in variations, or experiments, in many areas of government policy. For example, it is often highly desirable for interventions to contain an ‘A–B format’, in which individuals are randomly allocated to one of two slightly different web pages, or receive two slightly different letters or policy interventions. In this way, small variations in questions or prompts can be tried on an ongoing basis to test their relative efficacy and ease of use (the latter derived from time taken). This approach is standard practice in many commercial organisations. For example, Amazon and Google build the A–B format into the DNA of their operation, creating sites that are continually learning and improving.

Of course, there is a strong case for using trials and experiments in most policy areas. Furthermore, the Government’s drive for devolution will create an environment rich in natural field experiments, if not pure randomised controlled trials. Perhaps trialling is especially important in the highly empirical world of behavioural insight, but we suspect that many of these methodological lessons can be carried over to other areas of government activity. This issue is also picked up in the recent Open Public Services White Paper.<sup>24</sup>

<sup>24</sup> The White Paper states: “To support better commissioning and innovation in public services, open public services require robust accreditation of what works. Both commissioners and providers need to know which programmes are proven to work. We will consult on how to establish credible accreditation bodies for public services which can mirror the work on the National Institute for Health and Clinical Excellence in the health service. We will explore the creation of independent expert bodies in other areas of public services.” (pp29–30)

**We need government-funded behavioural research to expand our understanding.**

We continue to be relatively reliant on the US evidence base, much of it developed in laboratory settings or with college students. A number of the Chief Scientists, and particularly the Chief Medical Officer, are increasingly attuned to this gap and discussions are ongoing about how best to encourage the research community in the UK to expand into policy-relevant behavioural research. We particularly welcome the signal that the Economic and Social Research Council (ESRC) is proposing to make behavioural research a major theme of its forthcoming programmes.

## A different way of working?

**A new set of policy tools.** As we have seen, behavioural insights bring in their wake a new set of policy tools.

**A new approach to partnerships** with business and public service professionals. We have found that the use of behavioural insights has often brought with it the necessity to work closely with business – and public service professionals – who are often much better placed to affect behaviour than civil servants working in Whitehall. This has led to the ‘spin-out’ of the new Partnerships Team in the Cabinet Office, with whom we look forward to working closely in the coming year.

**Reforming government communications.**

Behavioural approaches rest heavily on public ownership and acceptability. This implies a far more dynamic form of communication between government and the public – a constant seeking of permission – and in particular a shift away from the traditional notion of ‘broadcast communication’ that has traditionally characterised government communications. Government also needs to be smarter in how it uses its digital and real estate, not least to harness what Tom Steinberg has called the ‘school gates’ phenomenon – the power of real and virtual spaces that bring citizens, and sometimes professionals, together.

### **The BIT experimental approach convinces a key commentator...**

Ben Goldacre writes in his Bad Science column for the *Guardian*:

14 May 2011

“... So here is my fantasy. We sack the Behavioural Insights Team – all they’ll do is overextrapolate from behavioural economics research – and open a Number 10 Policy Trials Unit instead.

They sit down to write a giant list of unanswered questions, for situations where we don’t know if an intervention works – this will be most of them. Then we filter down to questions where a randomised trial can feasibly be run. Then we do them.

This won’t cost money: it will save money, in unprecedented amounts, by permitting disinvestment in failed interventions, and it will transform the country. It’s efficient, it’s sensible and it will never happen, because politicians are too ignorant of these simple ideas, too arrogant to have their ideologies questioned, and too scared – let’s be generous – of hard data on their good intentions.”

8 July 2011

“... And so, lastly, I’m cornered into saying something nice about a government. The Cabinet Office Behavioural Insights Team annoyed me. It looked like they were going to overextrapolate from behavioural economics research to make lavish, overstated, untested claims.

In fact, they’ve just published their report on reducing energy use, and after setting out their ideas (they reckon, for example, that giving people detailed feedback and suggestions on energy use will reduce it overall) announced they’re going to test at least some of their ideas, in randomised controlled trials, before implementing them, to find out if they work. It’s odd, but the first good trials in UK politics for many years may be about to come from the wackiest and most vogueish corner of government.”

# Conclusion

It is too early to give exact figures on the rate of return on government investment in BIT, but early estimates are that we will exceed the objective many times over. Indeed, if savings from the recent BIT HMRC trial are reproduced as it is rolled out across the country, it would be likely to pay for the team 50 times over – through greater cash flow and reduced costs.

**The past year has shown that behavioural insights can be used in a wide range of policy areas.** Early applications show that the approach can make the jump from the laboratory into practical policy making. However, ‘nudge’ approaches should not be seen as a hard alternative to other policy approaches, but a useful complement or additional tool. In many cases, a behavioural approach may prove more effective than a conventional approach, but certainly not always. Particularly powerful approaches tend to involve seemingly small changes to government processes (such as letters or forms) which embed a behavioural prompt that reaches large numbers and that persists over time since it is built into a process.

**We believe that, in partnership with government departments, BIT can put in place measures within this Parliament which may have benefits in the longer term of potentially hundreds of millions of pounds.**

The success of our early work has made us relatively confident that the approach can generate substantial, quantifiable gains. For example:

- Behavioural approaches to public health and health care offer a strong prospect of preventing thousands of premature deaths. Increased numbers on the organ donation register will save around 50 lives during this Parliament; reductions in salt are likely to save around 4,500 lives a year; and – if we can make progress with alternative methods of delivering nicotine – this could eventually save tens of thousands of lives a year.
- Fraud, debt and error offer many opportunities for highly cost-effective changes to forms and processes which could result in hundreds of millions of pounds of savings when rolled out across the country.
- Behavioural approaches may offer the prospect of reducing the number of crimes by hundreds of thousands a year. Our focus on mobile phones, cyber crime and thefts from persons together spans several million crimes a year.

**The challenge in the year ahead is to achieve a balance between new projects and seeing through our existing work.** With the rising profile of BIT, the team now receives far more requests for help from across Whitehall than it can meet. A key decision for the team, and the team's Steering Board, is the extent to which we should take on these new policy areas, versus seeing through the work we have already initiated in other policy areas. A year on, it is a good problem to have.



# CabinetOffice

Behavioural Insights Team

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