



Making Markets Better

A policy manifesto for Aotearoa
New Zealand and Australia

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Executive Summary

COVID-19 has resulted in one of the largest shocks to the global economy in living memory. Even though Aotearoa New Zealand and Australia have fared better than most countries, both have seen sharp, deep recessions. Even before the crisis, productivity has been lagging for several years, with robust headline growth masking anemic per capita growth.

People are at the heart of our economy — their behaviour shapes markets through a myriad of interactions. The economic recovery from COVID-19 is an opportunity to design an ambitious new policy agenda that leaves our markets — and, by extension, our economies — stronger, more inclusive and more sustainable.

When previous economic shocks hit us, our understanding of how behavioural science can help design better public policy was still in its infancy. Today, however, we have the knowledge and evidence to truly take advantage of behavioural insights for the very first time and bring them right into our market design processes. The opportunities if we do so are immense. Behavioural effects shape the way individuals make economic choices about what we buy, where we work and where we live. Behavioural factors can help explain why markets don't weed out exploitative and inefficient practices and get stuck in a bad equilibrium. Increasingly, we are learning how behavioural factors can shape the strategy and behaviour of firms and other market players, amplifying opportunities for change.

In this paper, we set out a 6 point plan to reshape market policy with human behaviour at its heart. A deep understanding of people's incentives, motivations and behaviours can improve the design and functioning of markets. By placing human behaviour at the center of market design, we can ensure that markets work as efficiently as possible, delivering benefits to businesses and citizens right across society.

This is an ambitious agenda. It is not a statement of government(s) policy, but is instead intended to provoke discussion and debate. We see this paper as just the start. Enacting this agenda requires effective collaboration between policymakers, regulators, researchers and funders. If you would like to work with us to turn this vision into reality, please get in touch with our regulatory and market policy lead, **Ravi Dutta-Powell** (ravi.dutta-powell@bi.team).



Introduction: why we need to reshape markets

The COVID-19 crisis has shone a spotlight on wider structural problems

The world's economies have been rocked by the coronavirus epidemic that shut down businesses and radically changed our day-to-day lives. The International Monetary Fund (IMF) expects that the world economy will experience its worst fall in GDP since the Great Depression — far worse than the 2008 financial crisis.¹ Governments have responded with unprecedented financial help for workers and firms: loans, grants, tax deferrals and wage subsidies. Aotearoa New Zealand and Australia have fared better than most, but both countries have seen sharp, deep recessions.

In Aotearoa New Zealand, GDP has recovered more quickly than expected, but many businesses continue to delay hiring and investment while the tourism industry remains weak due to border entry restrictions. This has consequences for labour market strength:² wage growth is expected to remain low and unemployment forecasts are uncertain, with young people, women, and Māori and Pacific people continuing to experience higher rates of unemployment and underutilisation compared with other groups.³ Meanwhile, Australia's historic headline economic growth has masked underlying problems; despite having overall real GDP growth above the OECD average over the past decade, on a per capita basis, Australia's GDP growth has been some of the weakest in the OECD.⁴

Markets are at the heart of our economy — and to make our economy work better, we need markets to work better. The economic recovery from COVID-19 is an opportunity to design an ambitious new policy agenda that leaves our markets — and, by extension, our economies — stronger, more inclusive and more sustainable. This includes tackling the slowdown in productivity that has affected both Aotearoa New Zealand and Australia in recent years, whilst ensuring that economic gains are shared widely across society

Now is the time to bring behavioural insights into market policy making

Behavioural factors can help explain why markets don't always deliver the best outcomes for society as a whole, nor distribute outcomes equitably. When they work well, markets are powerful drivers of higher living standards. They give suppliers strong incentives to compete to provide the best value for money to consumers, through lower prices, higher quality and innovation. However, behavioural factors are one reason why markets don't always weed out exploitative practices and why they get stuck in a bad equilibrium. Many markets may in fact be “nonsumer” markets⁵, which are characterised by involuntary consumption, inelastic demand and limited substitutes. Nonsumer markets are particularly common in the energy and water sectors, and can lead to perverse outcomes: it is often business' interest to increase complexity and make it hard for consumers to know if they are getting a good deal or should switch. For example, people need to spend an estimated 107 minutes per week navigating and comparing options in essential services markets if they want to make good decisions.⁶

When previous economic shocks hit us, the application of behavioural insights to public policy was still in its infancy. Since then, over the past decade, insights from the behavioural sciences have delivered powerful results in areas that are crucial for economic growth and sound public finances, such as education, social mobility, market competition and tax compliance. For example, taking friction out of application processes to universities boosts applications from students with disadvantaged backgrounds by a third, at a fraction of the costs of traditional scholarships.⁷

- 1 [IMF, The Great Lockdown: Worst Economic Downturn Since the Great Depression, 2020](#)
- 2 [IBISWorld, The Global Economic Outlook for 2021 — New Zealand, 2020](#)
- 3 [Stats NZ, Tatauranga Aotearoa, Labour Market Statistics: December 2020 Quarter, 2021](#)
- 4 [Australian Bureau of Statistics, OECD](#)

A 6-point plan to reshape market policy

In this paper, we set out a 6-point plan to reshape market policy with human behaviour at its heart.

A deep understanding of people's incentives, motivations and behaviours can improve the design and functioning of markets. By placing human behaviour at the center of market design, we can ensure that markets work as efficiently as possible, delivering benefits to businesses and citizens right across society.

This paper draws heavily on our UK team's recent publication¹¹, but focuses on the issues and challenges most relevant to Aotearoa New Zealand and Australia. We make recommendations on market design and reform, and set out early ideas on what policymakers, regulators and researchers should explore and test further. This is not a statement of government(s) policy. It is intended to provoke discussion and debate, though ultimately we hope it will inform and shape policy.

We recognise that the pandemic has created pressing and interconnected policy priorities with important consequences for the economies of Aotearoa New Zealand and Australia. These include housing affordability, carbon neutrality initiatives and efforts to mainstream product stewardship, COVID-19 vaccine rollout and uptake, and public transportation systems' affordability and convenience, among other topics. The scope of this report is limited to markets specifically, but behaviour plays an important role in each of these areas — and the Behavioural Insights Team is doing research in all of them.

This is an ambitious agenda. Enacting it successfully requires effective collaboration between policymakers, regulators, researchers and funders. If you would like to work with us to turn this vision into reality, please get in touch.

Contact our regulatory and market policy lead, Ravi Dutta-Powell (ravi.dutta-powell@bi.team).

Summary of 6 key focus areas for reshaping the economy		
1	Measure whether markets are delivering for consumers and small businesses	<ul style="list-style-type: none"> Collect data on behavioural drivers of market failures, such as sludge and complexity, to inform better policy and regulation
2	Prioritise market transparency	<ul style="list-style-type: none"> Bring transparency to business and government procurement markets Drive competition in the Kiwisaver and superannuation markets Make it easier to see the environmental and social impacts of superannuation/Kiwisaver and other investments
3	Attack switching costs	<ul style="list-style-type: none"> Design and test how to build trust and drive take-up of Consumer Data Right (CDR) initiatives that help consumers compare and switch energy, telecoms and financial providers Extend CDR-style provisions to cover online platforms
4	Kick-start market disruptions and disseminate what works	<ul style="list-style-type: none"> Use challenge funds and prizes to kick-start market disruption Speed up diffusion by actively disseminating 'what works' to businesses
5	Challenge, test, measure, learn	<ul style="list-style-type: none"> Use debiasing tools to improve the quality of decision-making Undertake rapid testing before rolling out new policies
6	Support markets to deliver public value alongside private benefit	<ul style="list-style-type: none"> Make it easy for market stakeholders to measure their performance on wellbeing measures Explore ways to encourage employers to improve employee wellbeing

11 BIT, *The Behavioural Economy*, 2020.

Rec 1. Measure whether markets are delivering for consumers and small businesses

While Aotearoa New Zealand performs well on many regulatory policies (for example, ease of starting a business) compared to other developed economies, competition remains low — and research on competition is scarce.^{12 13} And in Australia, there is limited research on economy-wide competition — though some markets, such as energy, have annual reports that focus on competition and rates of switching within the market.

High level measures of market performance such as overall levels of switching can often mask other issues. Switching often reflects an engaged and financially savvy minority that regularly switches, leaving behind a (typically more disadvantaged) majority that often experience poor value. It can also hide behavioural market failures — in particular, the extent to which providers deliberately exploit behavioural biases to make it hard for customers to make good choices (“sludge”). Some governments are taking sludge seriously, though their focus is often internal — for example, the NSW government is currently developing “sludge audits” to evaluate difficult government processes.¹⁴ However, when it comes to markets, these issues often escape policymakers’ attention.

Ideas to research and test

- Develop standardised ‘Sludge’ Audit measures to compare providers across markets on how difficult it is to complete key tasks such as terminating a contract, adjusting privacy settings or making a complaint.
- Develop standardised comprehension measures to compare providers’ terms and conditions and privacy policies.
- Develop standardised measures across markets on how difficult it is to find and compare information on quality and price.



Rec 2. Prioritise market transparency

Many markets suffer from a fundamental problem of missing information. This leaves buyers unable to make good decisions. Suppliers have little incentive to innovate, become more efficient and drive up productivity. Governments can play a powerful role in bringing transparency to markets to make them function more efficiently and deliver better value for consumers. For example, New South Wales’ reform of the compulsory third party car insurance market, which includes a single source for comparing all insurance offers, has actively driven prices down, saving motorists hundreds of dollars a year.¹⁵

Rec 2.1 Bring transparency to business and government procurement markets.

Consumer markets often benefit from reputation systems that align the incentives of suppliers with those of customers: an increase of just one star in Yelp ratings leads to a 5-9 per cent increase in restaurant revenues.¹⁶

Business-to-business and business-to-government markets lack this transparency. Buyers cannot easily assess quality of service, giving providers poor incentives to improve. Many of these markets — training, business and legal advice, overseas distribution and accountancy — are strategically important for business growth and productivity. If they don’t work well, they hold back our small businesses.¹⁷

12 World Bank. [Doing Business: Measuring Business Regulations](#). 2019.

13 Gardiner, Alasdair. [What we know and don't know about competition in New Zealand](#). NZ Ministry of Business, Innovation, and Employment. 2017.

14 NSW Behavioural Insights Unit, [Update Report](#), 2020

15 <https://www.nsw.gov.au/news/new-green-slip-savings-for-nsw-drivers>

16 Luca, M. (2017). [Reviews, reputation, and revenue: The case of Yelp.com](#). Harvard Business School NOM Unit Working Paper

17 For further discussion, see BIT, [Boosting businesses: applying behavioural insights to business policy](#), 2019

Ideas to research and test

- Kick-start databases, comparison and feedback sites to help businesses find the best advisors, accountants, training providers, consultants and logistics companies for them. Use behavioural insights to design these tools to make sure they are accurate and trustworthy sources of information.¹⁸
- Collate and release public sector data that can inform the wider market – for example, on the quality of service of training providers used by the public sector.

**Rec 2.2 Drive competition in the Kiwisaver and superannuation markets.**

Despite its relatively small population, Australia has one of the largest pension pools in the world (when measured by total value of assets), thanks largely to the history of compulsory superannuation.¹⁹ But recent analysis has found that the market is uncompetitive, with excessive fees, cost savings from economies of scale not being passed on, and pockets of entrenched underperformance.²⁰

Notably, even though the Kiwisaver market is substantially smaller, the Financial Markets Authority has already identified that investment fees have remained steady as a percentage of assets, despite growth in the asset base suggesting there may be scope for fee reductions due to economies of scale.²¹

Ideas to research and test

- Highlight and showcase top-performing funds, and set defaults that drive consumers into the best performing funds when they sign up.
- Require funds to actively compete to be on the default providers list, potentially through a reverse-auction, where the lowest-fee/highest-performing funds are selected.

**Rec 2.3 Make it easier to see the environmental and social impacts of superannuation/Kiwisaver and other investments.**

Climate change remains the most serious systemic threat world economies are facing. Financial markets need to be reshaped to help tackle this threat. As Mark Carney, previous Governor of the Bank of England, put it in 2019, “sustainable investment needs to go mainstream”.²² 86% of Australians expect their super or other investments to be invested ethically, with recent weather events acting as a major prompt for many to think about switching financial institutions.²³ Similarly, 76% of New Zealanders expect their KiwiSaver or other other investments to be invested ethically.²⁴

However, uptake of environmental, social and governance (ESG) investments is low; the proportion of superannuation funds invested in accredited, responsible investments is a fraction of a percent.²⁵ This is despite majorities in both countries expressing an intention to invest ethically in the next five years, and believing that ethical investments earn higher returns over the long run. This likely due to a combination of structural and behavioural factors. For example, default funds for defined contribution plans often score relatively poorly on ESG indicators, and information about how investment options rate on ESG criteria is difficult to find.

18 BIT, [The behavioural science of online harm and manipulation, and what to do about it, 2019](#)

19 Thinking Ahead Institute, [Global Pensions Asset Study 2021](#)

20 Productivity Commission (Australia), [Superannuation: Assessing Efficiency and Competitiveness, 2019](#)

21 Financial Markets Authority, [Kiwisaver annual report 2020](#)

22 Mark Carney, [Remarks by Mark Carney given during the UN Secretary General's Climate Action Summit 2019](#)

23 Responsible Investment Association Australasia 2020, [From values to riches, Charting consumer attitudes and demand for responsible investing in Australia.](#)

24 Responsible Investment Association Australasia, [Responsible Investment: New Zealand Survey 2020](#)

25 ISMI Market Intelligence, [Market Overview - Australia and New Zealand Responsible Investments Sep-20, 2021](#)

Ideas to research and test

- Use the existing ATO superannuation dashboard to provide retail investors with easy to understand information on the proportion of their portfolio that is made up of ESG investments, how ESG investments compare against other investment types, and how to switch. Encourage superannuation and KiwiSaver fund providers to do the same.
- Test ways of encouraging superannuation and KiwiSaver fund investment in ESG, for example, through simplifying the portfolio choices, or making ESG funds the default choice. Test whether investing in socially impactful investments encourages savers to increase their retirement contributions, thus achieving two aims at once.

**Rec 3. Attack switching costs**

In some markets, frictions to switching are so severe that consumers and small businesses either do not switch at all or rely on third parties and brokers that charge high fees and do not always offer the best possible deals. In Australia, consumers on the median standing offer for energy are paying up to \$500 more than the cheapest offer available.²⁶ Similarly, survey data in Aotearoa New Zealand shows that although many consumers worry about their power bill each month, fewer than 43 percent actually compare prices — and only 13 percent actually switch energy providers in a given year.²⁷

Rec 3.1 Design and test how to build trust and drive take-up of Consumer Data Right (CDR) initiatives that help consumers compare and switch energy, telecoms and financial providers.

The CDR enables the sharing of consumer data between multiple providers. It makes it easier to enable automatic switching and services that help consumers easily compare and choose better deals. For example, it means that consumers can agree for their energy usage data to be used by a comparison website to provide them with the best offers available. Australia has recently rolled out the CDR for financial services, and is targeting energy and telecommunications next.²⁸ Aotearoa New Zealand is currently considering whether to establish a CDR.²⁹

Ideas to research and test

- Design and test ways to make CDR initiatives work effectively. For example, how to reduce friction costs for consumers to agree to sharing data, how to build trust in the system, and how to maximise the impact of shared data.

**Rec 3.2 Extend CDR-style provisions to cover online platforms.**

Currently, the CDR mainly focuses on consumer banking, energy and telecoms. Expanding the CDR to online platforms and business markets, paired with well-designed prompts to encourage consumers to make use of this data, could further improve consumer experience, choice and competition.³⁰

26 Australian Energy Market Commission, [2020 Retail Energy Competition Review](#)
 27 Canstar Blue. [Kiwis choose to stay with the same electricity providers](#). Scoop Business: Press Release. 2019
 28 Australian Government, [Consumer Data Rights](#)
 29 Ministry of Business, Innovation and Employment, [Discussion Document: Options for establishing a consumer data right in New Zealand](#)
 30 BIT, [The behavioural science of online harm and manipulation, and what to do about it, 2019](#)

Ideas to research and test

- Give consumers access to personal data used to power recommendation engines on platforms for buying music, books, TV and films. Allow consumers to take this data to other providers if they want to switch or multi-home.
- Allow self-employed gig workers to easily download and transfer ratings and reviews from one gig platform to another.



Rec 4. Kick-start market disruptors and disseminate what works

Barriers to entry in some markets are so high that providers face little market pressure to deliver high quality services. Often, this results in markets that are effectively missing — for example, around one in eight Australians have unmet general insurance needs, and around one in six are reliant on high cost credit.³¹ Incumbent financial institutions do not have strong incentives to serve these customers well, as they tend to be less profitable and developing new products to suit them can require significant upfront investment.

Policymakers often respond to challenges like this by regulating providers to mimic market competition: setting coverage obligations, regulating price and quality, subsidising to fill missing markets, and minimising regulatory barriers where possible. However, we can do more to kick-start innovation in key markets.

Rec 4.1 Use challenge funds and prizes to kick-start market disruption.

Challenge funds are a targeted approach to kick-start missing markets. They have often been used in a development context,³² but the same principles have also been applied in the developed world to bridge market gaps.³³ Winning businesses receive a combination of financial support, expert advice and promotion of their product.³⁴

Challenge funds could be an especially useful tool for regulators to inject competition and choice into parts of the market that are underperforming — for example, savings products for low income households. Challenge funds could also be paired with 'regulatory sandboxes'. Regulatory sandboxes are used by some regulators to encourage innovation in a controlled environment, but suffer from the drawback that many start-ups struggle to put aside the time and resources to run tests alongside servicing existing clients and business development.³⁵

Ideas to research and test

- Develop challenge funds to target missing markets, for example, high quality savings and debt products that work for low income consumers, or comparison sites in business-to-business markets.
- Test pairing these challenge funds with organisations that can help the best products and services reach customers that would benefit the most. For example, consumer advocates and financial counsellors can help reach low income consumers and assist collective switching.
- Test pairing challenge funds with regulatory sandbox-type initiatives.



Rec 4.2 Speed up diffusion by actively disseminating ‘what works’ to businesses.

In theory, well-functioning markets should accelerate the diffusion of new ideas. In practice, there are frictions in the way. It’s hard to measure how quickly new ideas spread from business to business, but the size of the gap in productivity between superstar frontier firms and the rest suggests that diffusion isn’t happening as quickly as it should.³⁶ The productivity challenge is particularly pressing in Australia and Aotearoa New Zealand. Both countries have experienced productivity growth below the OECD average — in fact, even before the pandemic-induced slowdown, Australia’s productivity growth was actually negative.³⁷

There are many reasons for these potential frictions, such as a lack of competition, or a lack of time, skills and knowledge to spot and implement new ways of working.³⁸ Australia, and Aotearoa New Zealand in particular, may also suffer from relatively small domestic markets, geographic distance from large international markets, and limited capital intensity.³⁹ This suggests a role for Government or publicly funded intermediaries to identify innovation and best practice throughout the market, and diffuse it much more directly. Importantly, this role does not mean dictating ideas from a central authority; rather, it is about finding good ideas that already exist, and ensuring that they spread more effectively.

Ideas to research and test

- Collate, systematise and diffuse what works in areas such as management practices, building on existing business support programmes.
- Make diffusion and adoption a key outcome of innovation funding programmes.
- Collect and publish feedback on innovative suppliers to the public sector.



Rec 5. Challenge, test, measure, learn

Market policy is one of the hardest areas of policy making to implement testing and trialling. It’s rarely possible to cordon off part of a market to conduct evaluations, because rules typically need to be applied across the whole market — and during crisis situations, need to be rolled out very quickly. That means that we need to think more creatively about how to build in opportunities to challenge, test, measure and learn.

Rec 5.1 Use debiasing tools to improve the quality of decision-making.

Policymakers aren’t immune to decision-making biases. Judgements and decisions are affected by the way in which options are framed, optimism bias, confirmation bias and group reinforcement.⁴⁰ Fortunately, policymakers can build processes and tools into their work to improve the quality of decision-making and challenge pre-existing assumptions underlying policy design.



31 Centre for Social Impact, [Financial Resilience in Australia 2018](#)

32 Australian Aid, [Enterprise Challenge Fund](#)

33 Nesta, [Open Up Challenge 2020](#).

34 Nesta, [About Open Up Challenge, 2020](#)

35 Deloitte, [A journey through the FCA regulatory sandbox, 2018](#)

36 Productivity Commission New Zealand, [New Zealand Firms: Reaching for the Frontier, draft report 2020](#)

37 Productivity Commission Australia, [Australia’s productivity performance](#)

38 Behavioural Insights Team, [Nudging firms to improve productivity: a rapid literature review, BEIS, 2019](#)

39 Productivity Commission [New Zealand, New Zealand Firms: Reaching for the Frontier, draft report 2020](#)

Ideas to research and test

- Routinely incorporate tools such as pre-mortems⁴¹ (in which participants imagine the proposed initiative has already failed, which helps clarify potential risks), red teams⁴² (which engage in critical thinking and probing to uncover potential blind spots and weaknesses in a proposed initiative), and reference-class forecasting (to reduce optimism bias) into decision-making.
- Create routes for diverse views to be fed into policy design, assemble diverse teams and build in opportunities to change course and revisit assumptions.⁴³



Rec 5.2 Undertake rapid testing before rolling out new policies and consumer or business facing communications.

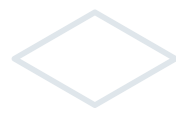
Rapid online or lab testing can be undertaken within weeks or even days, and can offer insights on the potential impact of policy designs or communications under consideration. This can be particularly relevant when designing market policy – policymakers can't cordon off a part of a market to conduct a field trial. Hence when trying to design new market rules and understand how consumers might react, online or lab testing is sometimes the only option for understanding impacts. The box below is an example of rapid research undertaken to help the design of a policy prior to rollout.

Rapid online testing is especially well suited to testing communications. During economic shocks, good communication is vital to build credibility that governments and central banks will act to support the economy, giving investors, businesses and consumers confidence to continue investing and spending. This has been particularly relevant during the recent crisis, where it has been critical to convey important health information quickly and in a way that is easily understood.

Successful communication is largely seen as an art, and not something to test and measure. But in fact, we don't need to guess what will work. BIT's own work with regulators such as the Australian Energy Regulator and the Australian Consumer and Competition Commission demonstrates how using online experiments to test different variations of communications can tell us how to build understanding and trust.⁴⁴ Similar work in response to COVID-19 has helped build evidence on what works to communicate public health messages to encourage people to wash their hands.⁴⁵

Ideas to research and test

- Where possible, undertake rapid testing of competing policy designs before rollout to gather insights on what is likely to work, and allow time for adjustment and fine-tuning.
- Routinely test key policy communications before they go out, including website information, press releases and speeches.



Using rapid research methods to understand how best to design information for energy consumers⁴⁶

Customers who want to compare energy plans often don't have an easy, consistent way of assessing the likely cost of different plans. Moreover, it is difficult to determine the best way of providing information to consumers in the field, particularly with the triple goals of maximising consumer confidence, decision making and comprehension.

BIT's Australia team partnered with the Australian Energy Regulator (AER) to gather quick insights to inform the best way of designing a potential Basic Plan Information Document (BPID) for energy plans in an online framed field experiment. The new version of the BPID would become the standard across the market.

Respondents were randomly allocated to one of five treatment groups, and then shown four hypothetical energy plans, each plan using the same format of the BPID. Respondents were asked to choose the plan they thought would be cheapest for them and were incentivised to do so through a small cash reward. After this, they were asked eight questions about their confidence in their decisions and to check their comprehension of the plans. These questions focussed on overall confidence and comprehension, and also on specific parts of the BPID.

Three of the treatment arms included the detailed pricing table on the BPID, with the other two featuring it on a separate document that respondents had to click to access. Consistent with prior qualitative research, we found that confidence (rated from 1-10) was higher in the treatment arms that included the detailed pricing table.

In addition, one of the treatment arms included the prices table at the top of the BPID (Treatment 2), which essentially reversed the order of Treatment 1 (which had it at the bottom of the page) and Treatment 3 (which had it on a subsequent page). The treatment with the prices table at the top of the page resulted in poorer decision-making — that is, fewer respondents were able to pick the cheapest plan for their household when the BPIDs had the detailed pricing table at the top of the page.

This rapid testing allowed the AER to roll out a new format BPID with the knowledge that they had identified the best performing option that would maximise consumer confidence as well as the quality of consumer decision making.



- 40 BIT, [Behavioural Government, 2018](#)
- 41 Klein, G. (2007). Performing a project pre-mortem. *Harvard Business Review*, 85(9), 18-19.; Peabody, M. (2017). Improving planning: Quantitative evaluation of the premortem technique in field and laboratory settings. Michigan Technological University
- 42 Ministry of Defence, [Red teaming: a guide to the use of this decision making tool in defence, 2010](#); Zhang, L., & Gronvall, G. K. (2018). Red teaming the biological sciences for deliberate threats. *Terrorism and Political Violence*, 1-20
- 43 For further details and other tools to debias decision-making, see [Behavioural Government](#)
- 44 BIT, [Testing Comprehension of the Reference Price, 2020](#)
- 45 BIT, [Bright infographics & minimal text make handwashing posters most effective – result from an online experiment, 2020](#)
- 46 BIT, [Review of Basic Plan Information Document \(BPID\). 2018](#)

Rec 6. Support markets to deliver public value alongside private benefit

Markets, like people, will mold themselves to the measures of success that we use to appraise them. These are typically financial metrics, such as prices, wages or GDP. But those measures alone do not necessarily capture whether the people participating in an economy are able to lead the lives they want to lead. Just as money is not an end in and of itself, it's important to ensure that our markets not only deliver good prices for consumers, but also support their wellbeing.

Beyond the positive impact of helping people live better lives, orienting markets to support wellbeing and public value also supports economic health. A abundance of evidence from the newly developed field of mental health economics has demonstrated the financial impact of poor mental health conditions, including perinatal depression, mental health problems in childhood and adolescence, depression and anxiety, and other psychiatric disorders.⁴⁷ In one study, researchers found that a single extra "poor mental health day" per month was associated with a 1.84 percent drop in the per capita real income growth rate, resulting in \$53 billion USD less total income each year.⁴⁸ As one of the researchers from the study noted, figures like these "start to give us an idea of what the gain could be, if we did spend more money to help people with poor mental health."⁴⁹

In Aotearoa New Zealand, this ethos was built into policy in 2019 with the country's first "wellbeing budget", which prioritised aiding the transition to a sustainable and low-emissions economy; supporting a thriving nation in the digital age; lifting Māori and Pacific incomes, skills and opportunities; reducing child poverty; and supporting mental health for all New Zealanders. The budget was designed to gauge the long-term impact of appropriation on the quality of people's lives, with success determined by indicators that reflect Aotearoa New Zealand's progress toward becoming — as Finance Minister Grant Robertson put it — "both a great place to make a living, and a great place to make a life." This is as ambitious as it is admirable, however, and challenges remain with regard to how non-monetary metrics of success will be measured and embedded into business as usual for market stakeholders.

Rec 6.1 Make it easy for market stakeholders to measure their performance on wellbeing measures.

Businesses and other important non-government stakeholders in the economy may be interested in supporting the wellbeing of their consumers and stakeholders, but the more difficult this is to implement and evaluate, the less support there will be for a paradigm shift. This is consistent with the behavioural science maxim that people are more likely to practice a behaviour if it is easy, and all unnecessary steps or "frictions" have been removed from the process. If governments are able to design simple frameworks that make it easy for market entities to evaluate their impact on wellbeing (or for others to evaluate their impact on wellbeing), there is likely to be more movement toward wellbeing objectives.

Rec 6.2 Explore ways to encourage employers to improve customer and employee wellbeing.

If impact on wellbeing is able to be evaluated, transparency around the performance of market players toward wellbeing objectives may help catalyse progress. This could include providing transparency around the wellbeing impact of market output; for example, publicising which supermarkets have created the best shopping experience for parents with children or people with disabilities empowers consumers and pushes the industry toward designs that save cognitive bandwidth for consumers. Previous social norms research suggests that the availability of relative performance on these measures would put pressure on companies with poor wellbeing scores to improve. And if wellbeing evaluation processes are made as easy as possible, as outlined in Rec 6.1, this may provide businesses with the competitive incentive needed to galvanise participation.

In a similar way, a platform that makes wellbeing impact available to the public could help to improve worker wellbeing. For example, if data on mental health, social connectivity, and other wellbeing measures of employees

were made accessible and easily comparable by employer or industry, workers would be able to take this information into account when choosing an employer — and poorly-performing employers would be pressured to do more to support employee wellbeing.

Ideas to research and test

- Create simple, business-facing guidances to help non-government market players evaluate their impact on wellbeing or progress toward supporting community wellbeing objectives.
- Make wellbeing impact data accessible to employees and consumers to drive positive change around wellbeing support.

Next steps: we want to hear from you

The recommendations set out in this 6-point plan pose an ambitious agenda, and our initial ideas to test and explore are likely to be just the beginning. These ideas have the potential to transform the way markets operate, to ensure that they work in the best interests of consumers.

However, turning this vision into reality requires policymakers, regulators, funders and researchers across disciplines to collaborate. Together, we can marry behavioural science with data science and traditional economics to develop new, feasible and effective solutions to our problems.

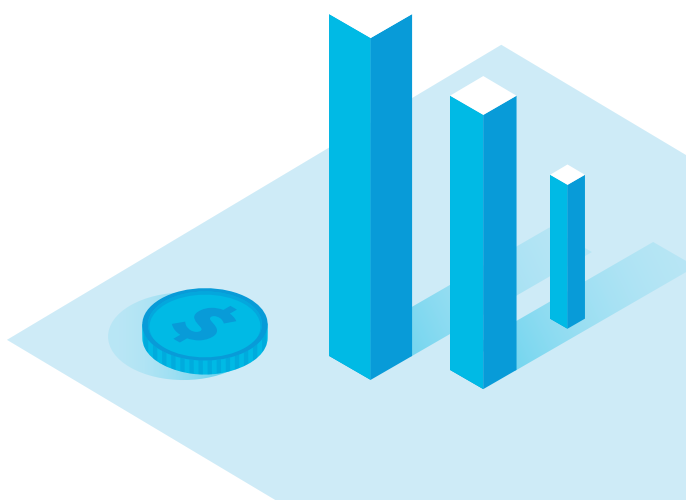
We would like to hear from policymakers and regulators who are interested in working with behavioural and data scientists on solutions to the market policy problems they are grappling with. We would like to hear from other researchers, from across disciplines, who can see the benefit in collaborating to develop new policy interventions. We would like to hear from funders who would like to contribute to reshaping market policy to create economies that are prosperous, sustainable and inclusive.

If you are interested in working with us to fund or collaborate on these ideas, we want to hear from you. Contact our regulatory and market policy lead, **Ravi Dutta-Powell** (ravi.dutta-powell@bi.team).

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Making Markets Better

A policy manifesto for Aotearoa
New Zealand and Australia

Authors: Ravi-Dutta Powell, Leah Everist, Alex Gyani



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