



BIT Review 2021-22







<u>The Behavioural Economy report</u>	03
Active online choices programme of work	05
Attitudes towards disabled job seekers	07
Boosting business productivity	09
Encouraging employers to advertise jobs as flexible	15
Equality, diversity & inclusion data disclosure	17
<u>Financial Capability Lab</u>	20
GABI (Gender and Behavioural Insights Research Programme)	23
Gambling Policy & Research Unit	25
How economic narratives shape the economy	27
Online shopping scams	29
Targeted referrals to improve gender equality in recruitment	32
Youth unemployment	34



How WEIRD are Malaysians' financial behaviour biases?	37
No need to panic	40



Promoting take up of tax benefits

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## The Behavioural Economy report

It is a deep irony that, of all policy areas, behavioural economics has been little applied to economic policy. This omission means that policies such as taxes, subsidies and regulation are less effective than they can and should be and policymakers are without other classes of policy levers entirely.

Behavioural effects shape the way individuals make economic choices about what to buy, where to work and where to live. Behavioural factors can help explain why markets don't weed out exploitative and inefficient practices and get stuck in a bad equilibrium.

In 2020 BIT published The Behavioural Economy, a major report setting out a roadmap for how governments, regulators and central banks can use behavioural science tools and approaches in economic policy. BIT research undertaken at the time the report was published found that 55 per cent of people in the UK thought that the economy had become more unfair over 2020 as the COVID-19 pandemic hit, underscoring the urgent need for new policy levers and ideas to deal with the economic challenges of today.



3

- Contents

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The report featured 10 evidence-based strategies, grouped into three areas:

- Micro: interventions that focus on shifting individual behaviour for example, behaviourally-informed design of tax incentives to encourage saving, defaulting consumers into long-term saving through schemes like auto-enrolment, and using data science to help match jobseekers to new opportunities. Most traditional 'nudges' fall into this category.
- **Market:** interventions that focus on shifting the behaviours at the 'wholesale', business or market-level, often through several mechanisms at the same time - for example, behaviourally-informed approaches to improving market transparency to make it easier to see what firms are offering the best products; using data to attack switching costs and automate switching processes; and kick-starting market disruptors.
- **Macro:** interventions that focus on improving the health of the overall economy for example, better designing investment incentives to target business decision-making, using data and behavioural science to get stimulus spending to where it's needed fast, and bringing challenge and testing into the economic policymaking process.

Recognising the true nature of people's incentives, motivations and behaviours will improve the design of traditional policy levers and open up entirely new categories of policy tools. It will help governments and regulators design more effective policy, improve the way our economy works, and address issues of low productivity, exclusion and unfairness, benefiting citizens and businesses right across our society.

When previous economic shocks hit, our collective understanding of how behavioural science can help design better public policy was still in its infancy. Now 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 economic policy making processes.

Since the report was published we have built on this framework, undertaking research into how narratives affect the macroeconomy, how financial markets can be shaped towards green investment, and how to design savings incentives.





## Active online choices programme of work

Digital products and services are integral to modern life, but they are not always designed to easily allow us to use them in ways that align with our individual values or needs. In 2020 BIT partnered with the <u>Centre for Data Ethics and Innovation</u> (CDEI) and Doteveryone to explore how to create 'active' choices for online users where individuals are empowered to better control how they use digital products and services, and just as importantly, have a clear understanding of the likely consequences.

We conducted desk research and workshops to develop prototypes that demonstrate what active choice could look like in three online contexts – a smartphone, a web browser and social media. These included:

- A 'slider mode' allowing manual customisation along a spectrum, which signals options to the user and shows that they sit on a range.
- A **four-box** grid design to customise personal priorities for browser experience.
- A 'private mode' bundling choices together into a simple binary.





We then ran three randomised control trials, each with around 2,000 participants. These tested the participants' ability to make informed choices about their privacy and personalisation settings using the new designs against a control version. The control and alternative designs were compared using the following measurements:

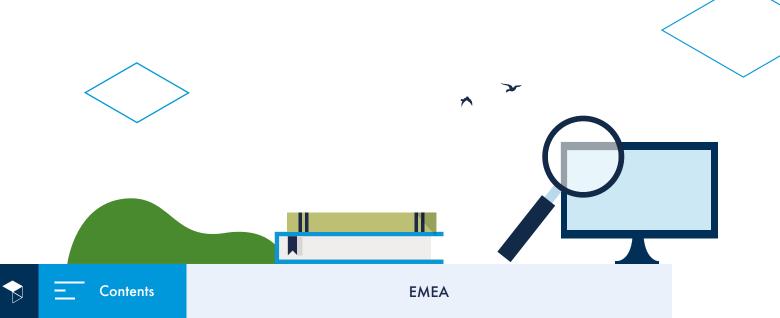
- **Task accuracy** Could participants adjust settings to match the preferences of a fictional persona?
- **Understanding of consequences** Could participants correctly indicate the implications of their choices?
- Feelings of control When asked through a survey question did people feel in control?

This project did not seek to develop specific designs that could be implemented by industry, but instead set out to illustrate what is possible and to generate ideas that inspire and provoke change through proof-of-concept.

While an online experiment cannot fully replicate the experience of using technologies in everyday life, there were some encouraging findings that point to the benefits of active choice design.

- Simplifying and bundling privacy settings better enabled users to adjust settings to match the preferences of a fictional persona, on average.
- Users' understanding of consequences also improved and their feelings of control did not decline.

For policymakers and regulators these findings should demonstrate that **consent is not enough**. Regulatory outcomes that focus only on users consenting to how their data is used creates incentives for organisations to use techniques to obtain that consent most efficiently. Digital products and services should have active choice at their centre.



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7

## Attitudes towards disabled job seekers

Disabled workers sadly still have a hard time entering the labour market. In France, while only 4% of the population as whole is disabled, <u>8.2% of job seekers are disabled</u>. They are thus twice as likely to be unemployed, and also for twice as long.

Research in 2020 by <u>BIT France and the Direction Interministérielle de la Transformation</u> <u>Publique</u> (DITP, France's modernisation department) for Pole emploi (France's unemployment agency) identified a number of behavioural barriers to improving access to the labour market. These included job seekers not always knowing if and how to disclose their disability for fear of a negative reaction, while even employers wishing to hire people with disabilities do not have effective and simple means of signalling this intention to job seekers.

Working with Pole emploi, BIT France developed a way for employers to send a clear signal about their open-ness to applications from people with disabilities through the creation of an official mark to show this - the 'handi-bienveillant' logo, to be placed next to job postings on Pole emploi's job board to make it easier for disabled job seekers and recruiters open to their applications to meet.



To test the effectiveness of this mark BIT ran a large randomised control trial in 44 departments across France lasting five months, assigning potential recruiters into one of three groups:

- A control group of employers who were not informed of the initiative nor given access to the mark.
- A second group who received only an email outlining the benefits of recruiting disabled job seekers, and introducing the scheme.
- And the third group who received the same information but were in addition encouraged to utilise the mark when next recruiting and given a simple way to do so on their recruiter profile.

Across all employers in the trial, 12% added the mark to their profile, with 60% continuing to use it after 5 months.

The study found that employers who adopted the mark received on average twice as many applications from people with disabilities per opening. For these employers, on average 6.8% of applicants were from disabled individuals, much closer than before to the 8.2% of jobseekers that would be expected in the absence of any discrimination or self-restriction. It is not possible to attribute this increase solely to the use of the mark given there was likely some selection into adopting it by employers already more sensitised to the subject, but the effect was nonetheless very promising and worthy of further research.

Finally, the introduction of the mark appeared to have a wider positive indirect effect on the total number of applications submitted in total, from disabled and non-disabled people alike without any corresponding negative rebound effect on recruiters who did not adopt the mark.

At a time of increased efforts in multiple contexts to improve inclusion and diversity in the workforce, this large-scale trial identified a promising, simple and inexpensive solution for improving the employment opportunities for people with disabilities.

11 Jan 2023: This is a corrected version of the article originally published



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9

## **Boosting business productivity**

In the long run, raising productivity is the most important way to raise a country's standard of living. However, since the global financial crisis of 2008, productivity growth in many countries has slowed, especially in the UK.

As then Business Secretary of State Greg Clark stated in 2017: "It [took] people in Germany [in 2016] four days to produce what people in the UK [took] five days to produce". There is an opportunity to reduce the UK's productivity gap by targeting small and medium sized enterprises (SMEs), with analysis from business organisation CBI suggesting that boosting SME productivity could expand the UK economy by up to £100 billion a year.

The UK government has identified improving management practices and boosting the adoption of tried-and-tested technologies as two key ways in which UK SME productivity can be increased. These require both changes in the decisions of business owners and managers, and for policymakers to overcome a challenge with many business support programmes - a lack of take-up.

In 2022 BIT concluded a series of projects supported by the UK Department for Business, Energy & Industrial Strategy (BEIS)'s Business Basics Programme studying and testing how behavioural science may help improve UK SME productivity.

The project included several large-scale randomised controlled trials involving owners and managers of SMEs. Each trial investigated a research question that had not been explored before in the UK. BIT's partners were the Federation of Small Businesses (FSB), the Association of Convenience Stores (ACS), Cambridge Judge Business School and Tech Nation.



The trials tested the effectiveness of:

- Identifying trusted messengers. Some of the most valuable sources of advice and insight for an SME owner can come from peers. Yet despite their potential, peer groups do not always form on their own. Two studies were run exploring how behavioural science harness the power of peer effects for productivity.
- Peer effects. Could participants correctly indicate the implications of their choices?
- New advice touchpoints. Business owners regularly take advice from trusted intermediaries within their existing networks such as their bankers and accountants. These intermediaries could potentially play an important role in diffusing best practice to their clients.

The analysis of the trials highlighted a number of key challenges for policymakers trying to engage businesses.

 Reaching many businesses does not necessarily translate to significant take-up This project found many low-cost ways to reach businesses (eg e-mail, newsletters), but these often don't translate into the desired levels of behaviour change such as significant take-up of a productivity tool or management training program. Even where clickthrough rates for messages are high, this does not mean that businesses sign up for products or services.

2. Messenger effects can vary greatly depending on context

Messenger effects appear to be important but it is not obvious what will work well in advance. For example one trial suggested region-specific communications may not always resonate with recipients.

This reinforces the importance of case-by-case testing to discover what works for nudges targeting SME owners, in addition to (or rather than) solely drawing upon preexisting research. The mix of results may come about due to the fact that a business is a diverse collection of individuals with varying motivations, unlike traditional behavioural interventions that target individuals rather than organisations.

#### 3. The need for further research about fit-for-purpose business support

It is unlikely that relatively small changes to how business support programmes are communicated will make a substantial difference to take-up. More intensive approaches to communication may help. Beyond this, it is likely that existing forms of business support suffer from a lack of product-or-service market fit that results in lower demand than envisaged. This suggests there needs to be a fundamental rethink on what attractive business support looks like, factoring in what businesses see a need for, and how to design programmes that work for them.

BIT's future work in this area will delve deeper into the links between what happens among individuals in organisations and desired outcomes at the firm level (such as higher productivity). We also hope to leverage ideas from behavioural science into the design of business-to-business markets themselves.

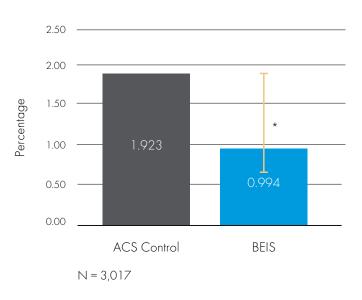


A key overarching lesson was that take-up of business support programmes continues to be a fundamental challenge for policymakers. It is unlikely that relatively small changes to how these programmes are communicated will make a substantial difference to take-up. Rather there needs to be a fundamental rethink on what attractive business support looks like.

**Identifying trusted messengers for UK SME managers:** The academic and policy literature suggests business owners may be more receptive to messages from trusted and familiar sources. However, it is not always clear who, or what, these sources may be.

To explore the 'messenger effect' among UK SME managers, we worked with two industry associations, the Federation of Small Businesses (FSB) and the Association of Convenience Stores (ACS), to test whether signposts affiliated with these organisations could increase take-up of an online productivity benchmarking tool relative to a message affiliated with the Government.

Over 90,000 FSB members and 3,000 ACS members were randomised into receiving one of four treatment arms in two parallel RCTs. We found that for ACS members, including a government message (emphasising that BEIS recommended the tool) was around a half as **effective** than the standard message at generating click throughs:



Clickthrough by treatment assignment

Secondary analysis (ACS recipients, no covariates), using Mailchimp report to calculate clickthrough

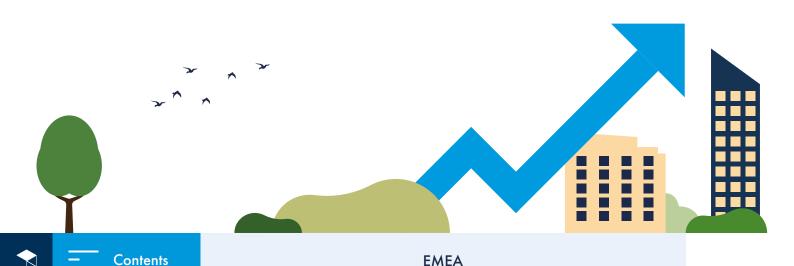
\*\*p<0.01, \* p<0.05, +p<0.1

Clickthrough rate comparing standard to government message for ACS.

For FSB members, there was **no difference in performance** between any of the messages in generating click throughs. We speculate that this may be due to the relevant message in the FSB trial being in a less salient position (linked in a regular newsletter) than the ACS' message (a standalone email).

**Making the most of peer effects:** Some of the most valuable sources of advice and insight for an SME owner can come from peers. Yet despite their potential, peer groups do not always form on their own. We ran two studies to explore how behavioural science could be used to harness the power of peer effects for productivity.

- BEIS Peer Networks Programme: We worked with BEIS to test whether making the Peer Networks communications material region-specific increased intent to sign up. We randomised an online sample of 1,000 SME managers/owners into seeing either a normal advert for the programme or a region-specific advert. The region-specific communications we tested increased participants' understanding of the programme, although they did not increase intent to sign up.
- Cambridge Judge Business School: We partnered with Cambridge Judge Business School and Tech Nation to produce best management practices and tools, alongside peer interaction and access to an online mentor. Participants were assigned a cohort and added to a group chat with other peers alongside a mentor. We designed behaviourally informed announcements and reminders for participants and mentors. Unfortunately, due to limited statistical power we were unable to identify the quantitative impact of the programme on outcomes such as participant's productivity. However, there was suggestive evidence from other sources about the intervention's potential: several businesses said in qualitative interviews that they thought they had benefited in some way from the course, and over 250 messages were sent between group members throughout the study.



**Investigating new touchpoints for business advice:** business owners regularly take advice from trusted intermediaries within their existing networks, such as their bankers and accountants. These intermediaries could hence play an important role in diffusing best practice to their clients.

We acted as an evaluator for a UK not-for-profit, Be the Business (BtB), to test whether the adoption of business technology could be helped by one such intermediary: business client relationship managers at one of the UK's largest banks, Lloyds Bank.

SMEs were sent information about Be the Business Digital (BtBD), an online tool with guidance for businesses about software adoption, delivered alongside support from their assigned banking Relationship Manager (RMs) at Lloyds Bank.

We evaluated whether the digital platform, alongside support from banking advisors, improved progress towards technology adoption, actual adoption and intentions to adopt. We found **no statistically significant** outcomes, though there were **directionally negative results** on progress towards adoption and actual adoption. However, issues with data collection and lower take-up than expected impacted results. For example, only 10% of SMEs in our treatment group reported using BtBD and just under a quarter reported discussing technology with their RM.

### **Lessons learned**

### Being able to reach many businesses does not necessarily translate to significant take-up

Over the course of these projects we've learned that there are many low-cost ways to reach businesses, but these often don't translate into the desired levels of behaviour change (for example, significant take-up of a productivity tool or management training program).

For example, in our studies, click rates were much lower when encouraging businesses to adopt new services than they were for compliance-related messages. Even where clickthrough rates for messages are high, this does not mean that businesses sign up for products or services.

#### 2. Messenger effects can vary greatly depending on context

Messenger effects and tailoring appear to be important, but this is not a general finding and it is not obvious what will work well in advance. For example, our trials with FSB and ACS did not consistently see the trade bodies outperform a government messenger. Moreover, our findings in the Peer Networks Program experiment suggested regionspecific communications may not always resonate with recipients. This reinforces the importance of case-by-case testing to discover what works for nudges targeting SME owners, in addition to (or rather than) solely drawing upon pre-existing research. We speculate that the mix of results may come about due to the fact that a business is a diverse collection of individuals with varying motivations, unlike the case of traditional behavioural interventions that target individuals rather than organisations.

#### 3. The need for further research about fit-for-purpose business support

As shown by the first lesson above, getting businesses to engage with business support can take far more than an information-based nudge.

An immediate lesson is that more intensive approaches are needed to drive uptake of desired interventions. However, it is also possible that existing forms of business support may suffer from a lack of product-or-service market fit that results in lower demand than envisaged.

As there are many business support programmes with ambitious take-up targets, it is fundamentally important to understand whether such programmes are what businesses want and see the need for.

Our trials on business support have moved our state of knowledge further on what does and (importantly) doesn't work to encourage businesses to adopt productivityenhancing strategies.

As well as learning from the lessons in the previous section and building upon our projects to date, our future work in this area will delve deeper into the links between what happens among individuals in organisations and desired outcomes at the firm level (such as higher productivity). We also hope to leverage ideas from behavioural science into the design of business-to-business markets themselves.



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## Encouraging employers to advertise jobs as flexible

According to research by employment consultancy Timewise, 93% of non-workers who would like to work prefer flexibility, while only 22% of 'quality jobs' (defined as permanent and paying at least £20,000 a year) are advertised as flexible.

Increases in remote working following the pandemic have only strengthened these preferences. However a lack of transparency around levels of flexibility available may have a bigger influence on women, as they are twice as likely to work flexibly. Plus, women may be particularly averse to ambiguity in job adverts and avoid asking for flexible hours due to concerns about negative employer reactions.

BIT's Gender and Behavioural Insights Programme (GABI), established with the Government Equalities Office, partnered with major UK job platform Indeed and the Harvard Business School, to promote flexible jobs.

Two randomised control trials (RCTs) in 2019 tested whether changes to the choice architecture of job advert templates could encourage employers to advertise more jobs with flexible working options. The effect on job seekers themselves was also measured.

In the first round, a large field RCT with 55,744 advertisers tested the impact of introducing a prompt in the job listing template to give employers the option to advertise jobs with a choice of nine flexible working options (such as 'job share', 'compressed hours', etc), compared to the business-as-usual with no such prompt.

In the second round, another large field RCT with 91,309 advertisers attempted a replication of the first round, testing the same prompt with two arms of additional behaviourally-informed messaging. Namely, highlighting that flexibility is a legal right in the UK and that flexibility is gender inclusive, given both men and women desire it, in comparison to the business-as-usual.

Across these trials, the primary outcome measure was if job postings mentioned flexible working options or not, comparing postings that had received a treatment prompt versus those that had not. A web scraping tool measured the proportion of job advert postings that offered flexible working options across both the treatment and control groups.

The secondary outcome measure was the number of applications received within two weeks after the job posting to determine whether flexible jobs attract more applicants. In total, these field trials involved almost 100,000 employers posting more than 780,000 job adverts that elicited over 19 million applications.

Across both trials, the basic prompt increased the number of jobs advertised as flexible by 17-20%. Additional messaging tested in the second trial did not make any difference, suggesting that the introduction of a prompt to choose flexible options was a robust enough nudge in itself. The nudge also increased the offer of all types of flexible working.

Moreover, those job ads which mentioned flexibility attracted 19-30% more applicants - a great example of a 'double nudge' whereby employers nudged to offer flexibility in turn nudged job applicants to apply for those roles.

This intervention was one of BIT's biggest trial so far and possibly the largest social policy trial ever conducted in the UK.

## ...the introduction of a prompt to choose flexible options was a robust enough nudge in itself.

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17

## Equality, diversity & inclusion data disclosure

If organisations are to really make progress on equality, diversity and inclusion (EDI) goals, then they need data. Data about employee characteristics, and, just as importantly, on workplace outcomes.

While gender pay gap reporting requirements have helped reduce gender inequality, many UK organisations are not able to accurately calculate their pay gaps for other characteristics such as race and ethnicity, disability, sexuality or socioeconomic status due to insufficient data.

Improving data coverage relies on employers routinely collecting and storing data and employees choosing to share their data. However, there is currently very little robust evidence regarding the best way to improve data collection. Current best practice guidance tends to focus on employee attitudes towards sharing data. While attitudes certainly have a role to play, could focusing too much on them get in the way of more effective approaches? Two BIT explored the gains from focusing on attitudes compared to simplifying the process. In the first project, which was funded by the Government Equalities Office as part of the Gender and Behavioural Insights programme, BIT partnered with Applied, a recruitment platform that strives to remove bias from the hiring process. The aim of the project was to understand what works to increase voluntary disclosure for sexual orientation. Applied already collected data for a range of characteristics and was introducing a question about sexual orientation for the first time.

BIT ran a randomised controlled trial with 25,000 applicants using Applied. Participants saw one of three messages at the top of the equal opportunities addressing a key attitude: mistrust in data privacy, fear of negative consequences and perceived value of disclosure.

None of the messages tested increased disclosure for sexual orientation or any other demographic characteristics on the form compared to the control - the original message used by Applied. This may suggest that applicants do not pay attention to the introductory text, that the already high disclosure rate in this recruitment context could not increase further, or that other behavioural barriers are more important.

To further explore how to increase disclosure, the team worked with engineering consultancy Arup to understand whether tackling other behavioural barriers would be more effective than targeting attitudes.

At Arup, only around 55% of staff had fully completed their demographic form against the company's target of 80%. Interviews with Arup staff highlighted variations of the three common attitudes identified in the previous trial, in particular, the mistaken concern that line managers would have access to personal data. Other behavioural barriers uncovered included staff not realising they hadn't disclosed, confusion about how to complete the form, and feeling they did not have enough time for it. Previous communications Arup sent to staff about disclosing were several pages long and did not make the relevant action obvious.



BIT designed an intervention to strip some of the friction out of the process of disclosure, sending staff an email making use of several behavioural concepts. These included:

- Sending the email from a trusted messenger
- Making the email subject line clear, with a call-to-action: 'your personal information is incomplete'
- Creating a sense of urgency by providing a deadline for the form
- Personalising the email and making it targeted it was only sent to those who had not yet completed their data form
- Providing a direct hyperlink to the data form to remove friction from the process
- Simplifying the text in the email to focus on the key message and remove unnecessary extra information.

In addition, the intervention made changes to the data form by editing and reordering some of the questions and response categories. Reminder emails were sent to those who had not yet completed their data, and staff were encouraged to add a calendar invite to complete the form.

Overall, the intervention increased disclosure rates from 55% to 85%, exceeding Arup's target, and providing Arup with enough data to begin to measure and track their inclusion goals with a much greater degree of confidence. The test also showed the value of following up. While the first email led to the highest proportion of the target audience completing their form (37%), sending three follow-up reminders almost doubled this (67%). Staff could unsubscribe from receiving reminder emails, although fewer than 1% did.



The aim of the project was to understand what works to increase voluntary disclosure for sexual orientation

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## **Financial Capability Lab**

In 2016, the Money Advice Service (now Money and Pensions Service) and the Behavioural Insights Team launched the Financial Capability Lab. The Lab was a multi-year £2.5m programme - the biggest of its kind - to design and test new ways to help people better manage their money. The Lab focused on three themes: help people build savings, get financial help, and manage their credit.

The Lab generated 244 novel ideas on improving financial capability with the help of 90 experts, tested the most promising 17 ideas through online experiments with more than 10,000 participants, further developed and rigorously tested a handful of ideas with a dozen companies and 130,000 participants, and created valuable new evidence on how to improve people's financial capability.

Two of the Lab's key projects focused on payroll savings and on prize-linked savings.

### **Payroll Savings**

BIT and MaPS worked with the professional services company Capita to implement and improve the uptake of an employer payroll saving scheme. A payroll savings product automatically deducts a portion of an employee's regular salary and transfers it into a savings account, removing the administrative burden of moving money from one account to another from the employee. Despite hugely reducing the effort of saving, encouraging both employers and employees to take up such schemes is challenging. To improve the experience of signing up to payroll savings products, we worked with Capita and the platform provider <u>Level Financial Technology</u>, to design and test the impact of a new payroll savings product. We carried out user testing and incorporated behavioural science into the design of the app, in addition to designing and testing behavioural scienceinformed emails which were sent to Capita employees encouraging them to sign up.

We found that behavioural insights could boost take-up of payroll savings. A 'soft default' email that told recipients 'we've set up an account for you' led to a 4-fold increase in people signing up to save. Furthermore, increasing the default savings setting to encourage higher levels of savings. We found that the majority of users stuck to the default savings amount of £50. Additionally, incentivising sign-ups with a £5 sign-up bonus and entry into a £1,000 prize draw tripled sign-ups during the first two weeks after they were announced.

We also found that people who signed up for payroll savings increased their confidence in managing their money and built a regular savings habit that created an initially small (but growing) savings buffer. The product helped those most likely to struggle financially: it was most attractive to and had the biggest positive impact on people who earn under £25,000 each year, have little or no savings, and find it difficult to save consistently.

### **Prize-linked savings**

BIT and MaPS also worked with Nationwide Building Society to examine how people that might typically save less interact with prize-linked savings accounts. These accounts represent an innovative approach that enters savers into a periodic cash prize-draw if they save regularly. They can be a powerful tool to get more people to save.

There is promising evidence that prize-linked savings can support low-income households to overcome some of the barriers to saving and encourage saving behaviour. However, some financial institutions might be reluctant to promote prize-draws where some customers win and some don't. Prize-linked schemes gamify financial behaviour and could be seen as similar to gambling (although in this instance no money is ever lost). Banks, building societies and credit unions could be understandably wary of the comparison.

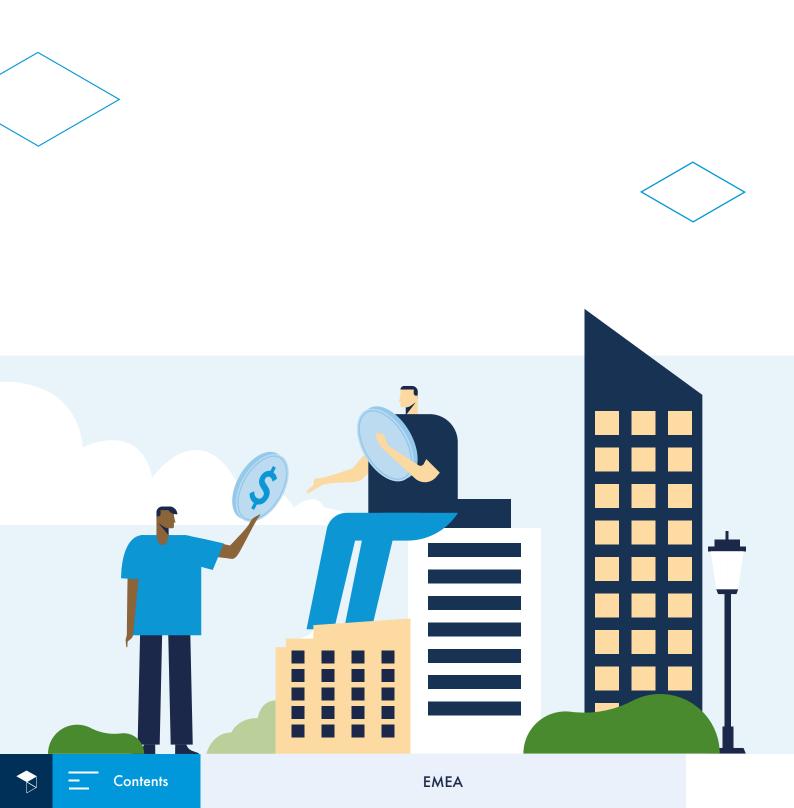
However, in our work with Nationwide, we found that highlighting the prize-draw aspect - as shown in the advert above - generated more interest in the account than messages that highlighted other features like the ease of saving.

We also found that interest in the account rose even more once further information about basic features of the account like the interest rate and deposit criteria was shown. This suggests that provided the product is well designed, promoting the prize draw of an account can capture people's attention, and the accounts themselves are sufficiently persuasive to encourage people to sign-up and start saving.



We also found that any message with a daily framing – eg save less than £1 per day and be entered into a prize draw - was more popular with trial participants than a monthly framing. Thus, framing the monetary commitment required in terms of a daily amount is likely to appeal more to customers, and appear more manageable, than a monthly savings goal.

Lastly, a plurality of respondents preferred a shorter prize more frequently than a larger prize less often and responses comfortably skewed towards more frequent small prizes than less frequent large ones. Giving people a sense of progress by paying smaller bonuses more regularly, rather than less frequent larger prizes, could help people to save.



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## GABI (Gender and Behavioural Insights Research Programme)

In March of 2021, BIT wrapped up the large-scale 'Gender and Behavioural Insights' (GABI) research programme, a collaboration with the UK Government Equalities Office, to investigate what works to improve gender equality in the workplace.

GABI's groundbreaking work generated many interesting insights and evidence. Some highlights include:

- A simple change to the way jobs are advertised can boost applications from women to senior roles by 19%
- Changing the format of a CV to replace dates with years of experience can increase positive call back rates for people returning to the labour market after a period of time out by 15%
- Nudging employers to offer flexible working options to job adverts increased the proportion of job ads with flexible working options by 17-20%, and these jobs in turn attracted 19-30% more applicants a great example of a 'double nudge'
- Using targeted referrals doubled the number of women referred to male-dominated roles at the Ministry of Defence



23

Contents

The GABI programme regularly reviewed emerging evidence in the field while also generating its own original and powerful insights. GABI worked with 12 partners, from large employers to job boards to charities, conducting 30 projects in the gender equality space over a three-and-a-half year period. The key insights from the programme fall into three themes:

- Making recruitment fair
- Normalising flexible working
- Sharing parental care

GABI has published a number of free resources to support employers, including the flagship <u>'How to improve gender equality in the workplace – evidence-based actions for employers'</u> which supports employers to understand which actions will make a difference in the workplace.

Too often, the outcomes of an action may be counter-intuitive. For instance, the team wrote about how <u>unconscious bias training does not change attitudes in the long-term</u>, and can even backfire. To improve equality, employers need to understand which actions are effective, so they can prioritise resource and budget. The GABI team synthesised academic literature, and considered its own rigorous primary research, to group a range of actions into three categories:

- Effective
- Promising
- Mixed evidence

Whilst the guidance focuses on gender-related research, the team also sought to include wider research on other characteristics wherever possible, for example race and ethnicity, sexual orientation and disability, to help understand what works to improve equality more broadly. This was also in recognition of the fact that one's experiences are not determined by a single dimension of one's identity.

GABI also published five accompanying <u>implementation guides</u> to support HR practitioners in implementing five of the effective actions: targets, diversity leads and diversity task forces, structured interviews, skill-based assessment tasks, and increasing transparency of progression, pay and reward processes.



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## **Gambling Policy & Research Unit**

Applying Behavioural Insights to reduce gambling harms is a long standing area of work for BIT and in September 2021 this was given an expanded focus with the launch of the Gambling Policy & Research Unit (GPRU).

The GPRU is a team of specialists with a mandate to develop and rigorously test methods and approaches to significantly reduce gambling harms. The UK is the largest regulated gambling market in the world and the GPwRU's vision is to make it the most safely regulated.

Gambling is big business. In the UK it's a £14 billion market with research finding around 47% of the population gamble every month. For most it is a leisure activity with no serious negative impacts on their lives and the people around them. But not all.

The 2018 Health Survey for England estimated that over 1.75 million people could be classed as 'at-risk gamblers'. Someone experiencing problem gambling can negatively affect, on average, six other people around them and gambling also has costly knock-on effects such as impacting mental health care, inpatient services, out of work benefits, work productivity, homelessness assistance and incarceration rates.



25



With regulatory settlement funding approved by the UK Gambling Commission, the GPRU has had a busy and productive first year. Initial research findings over the last 12 months include:

- There is little causal evidence of effective ways to reduce gambling harm.
- Even though fewer women gamble, they are at greater risk of gambling harm both through their own gambling behaviours, as well as through being affected by someone else's gambling. This is particularly true for women who are black, Asian or from a minority ethinic group. Similar patterns exist for broader ethinic minority groups, and deprived communities in Britain.
- Although about 280,000 people in Britain experience problem gambling harm, only 6 in 10 of them seek support. For those experiencing moderate risk of gambling harm, fewer than 1 in 5 seek support.
- The way odds are presented impacts how likely someone is to understand them. As they stand, few people understand their odds of winning.
- There is emerging evidence of the role of advertising on betting behaviour.

In July 2022 the team published a detailed Behavioural Risk Audit of 10 of the UK's leading gambling operators. They found multiple ways these sites are designed and run that not only fail to protect the welfare of their customers but in some instances actually put them at higher risk of gambling harms.

For example:

- It takes much longer to cancel an account than open one.
- Some operators send welcome e-mails before sign up is complete.
- Several operator sites have minimum account balances to withdraw the player's own money.
- Default amounts not in the customers' best interests. For example drop down menus for daily deposit limits feature £10,000 (or even higher) as the very first option.
- After placing a bet customers are prompted to immediately bet again and bets can be placed with a single click on most sites.
- Losses are not made clear during gameplay and information can be misleading eg
  for one operator when betting £0.20 and losing £0.10, a message of 'Won £0.10'
  appeared, which could make the customer think they had won when they would
  actually have lost half of their stake.

In August 2022 the UK Gambling Commission approved further regulatory settlement funding for the GPRU to continue this important work in ensuring the protection of consumers from gambling harms is front and centre of how the market is designed and gambling companies operate.





🗖 EMEA

27

## How economic narratives shape the economy

Economic narratives help make sense of what is happening in the world. They can include stories about what's going on in the economy, the role of government, or what other consumers and businesses are doing. These narratives are propagated through the media and social networks and can be enormously powerful in shifting people's behaviour and economic outcomes broadly.

To find out what role narratives could play in influencing consumer behaviour as the UK exited lockdown in 2021, BIT ran an online experiment using the Predictiv platform. The trial asked participants to imagine a scenario in which almost all UK adults had received a COVID vaccine and coronavirus restrictions were fully lifted. Before asking them how likely they were to engage in certain economic activities (eg, going to a non-essential shop, a restaurant, a sports event), participants were shown additional information, all based on actual news stories:

 One group saw a quote from Chief Medical Officer Professor Christ Whitty and Chief Science Adviser Sir Patrick Vallance saying that overseas travel and new variants mean COVID-19 will never be wiped out.

- A second group saw an optimistic quote from Bank of England Chief Economist Andy Haldane, suggesting the economy was poised to bounce back like a coiled spring.
- A third group was told about the activities of others, emphasising a rush on bookings for holidays, theatres, and restaurants.
- A fourth control group did not receive any additional information.

Intentions to visit different venues were lowest when the risk of variants was emphasised, but not much lower than in the control group that received no additional information. This suggests the narrative of COVID risk was widespread and deeply ingrained in the thinking of many.

However **behaviours were still very malleable**. The optimistic Bank of England quote made people 11% more likely to say they would intend to visit a non-essential shop and 19% more likely to visit indoor restaurants (compared to the control group). There were similarly high intentions among the group that was told about many others rushing back to the high street. The pattern of recovery since then shows how in practice, actual visits to shops and restaurants have bounced back.

The influence of stories about what others are doing is also clear from real-world field studies. <u>A field study in China</u> found that restaurant visits post-lockdown increased when people were told about the plans of their neighbours. Among the previously hesitant, this intervention increased restaurant visits by 37%. When people were given the truth about what others were doing – correcting the mistaken narrative that others were hesitant to go out – people saw this as a signal it was safer than they thought, and they revised their plans.

The experiment not only showed the potential power of narratives, it also demonstrated that the impact of communications can be put to the test. Three things policymakers can do to harness the power of narratives are:

- Understand the narratives circulating across society. What are consumers and businesses hearing about the economy, how safe it is to go out, and how are they interpreting this? Are there key misperceptions that are influencing their decisions?
- **2 Design policy with narratives in mind.** The way policies are designed and implemented could initiate new narratives or reinforce existing ones.
- 3 Test communications. Communications are powerful, but are still largely seen as a form of art. Communications can also be a science: policymakers and speechwriters can test the impact of what they say on comprehension, perceptions and beliefs.

👕 EMEA

## Online shopping scams - fighting fire with fire

In 2021 BIT's French team were commissioned to work with the Direction Interministérielle de la Transformation Publique (DITP, France's modernisation department) and the Direction générale de la concurrence, de la consommation et de la répression des fraudes (DGCCRF, France's consumer and fraud authority), to test ways of reducing consumer vulnerability to online shopping fraud.

As elsewhere, this is a major problem in France. According to DITP, in 2019 some 780 000 people in France (1.6% of the adult population) bought a product or service that was subsequently not delivered, did not meet claimed quality standards or led to hidden costs. In half of cases, this led to financial losses of more than €100, whilst 11% of cases led to losses of over €1000.

DITP and DGCCRF tasked BIT with developing and evaluating an intervention that would generate awareness among consumers of the issue, without, crucially, incurring any financial losses for them. The aim was to produce a simulated scam that could in effect innoculate consumers against genuine attacks.



To do this the team set up an intentionally fraudulent online coffee machine vendor, DiBartolo.fr. The site was promoted through Facebook ads viewed hundreds of thousands of times and utilised a broad range of deceptive design tricks used by fraudulent sites to encourage people to make a purchase. These 'dark patterns' included a fake 'offer expires countdown clock, a false low stock message, fictitious reviews and fabricated claims about the product.

Fake reviews		Low stock message
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Fake claims a	nd labels	Fake activity message

Many consumers were taken in. When they attempted to buy a coffee machine, they became participants in the trial and were randomised into one of three groups:

- 1. **Control** participants were thanked for their purchase and told that they would be contacted in the near future to arrange payment and delivery.
- 2. **Teachable moment** participants were informed that they had interacted with a simulated scam designed to raise awareness about online fraud. This intervention was based on the idea that people might be more open to learning just after being informed of a potentially harmful mistake.
- **3. Embedded training** participants received the same teachable moment as the second group and were then invited to interactive advice on how to spot online scams. This applied principles from education research which has found retention of information can be helped by simple, memorable rules, as well as by invitations to immediately apply learnings and receive feedback.



The results were highly encouraging. In total, 2,542 consumers attempted to buy a coffee machine which if the simulation had been real would have translated into an astonishing €150 000 in revenue. The intervention offered support to people demonstrably at risk, and provided a timely demonstration of the potency of online scams and dark patterns at a time in which <u>EU and US policymakers</u> are deciding how best to steer online marketplaces.

In an end-of-study survey, 9 out of 10 respondents considered the approach acceptable or highly acceptable and numerous comments were received praising the study, including from previous victims of fraud and people hoping to educate loved ones.

To assess the impact of the trial, the 2,542 study participants were retargeted with a second set of fraudulent offers for different consumer goods to measure the differences in revictimisation rates across our three intervention groups. Whilst there was not a statistically significant result in this case (1.1% of the sample - 29 participants - were revictimised), an outcome attributable largely to the size of the original sample and complexities associated with retargeting participants, nonetheless the directional effects observed were encouraging, clearing the way for further testing of this approach.



- Contents

🗖 EMEA

32

## Targeted referrals to improve gender equality in recruitment

Occupational segregation is one of the main factors driving the gender pay gap in the UK according to the Government Equalities Office. Women make up the majority of workers in lower paying occupations and the minority in higher paying ones.

World Bank research has found that one of the barriers for women to enter higher paying occupations is that they have smaller networks in such fields, reducing the likelihood of being referred for a job. Personal recommendations are a key hiring channel in many organisations, but this can limit diversity if employees only refer people who are similar to themselves.

In 2020 BIT partnered with the UK's Ministry of Defence (MOD) to find ways to reduce their gender pay gap. The MOD's human resources data was analysed and similar employees were compared by accounting for a number of factors that might otherwise vary between men and women (eg grade, tenure, job type, region, and working pattern).

The analysis found that in most grades under 40% of applicants were women and the share of women applying was lower than that of women currently working in those grades. Even though women were less likely than men to apply, they were more likely to be hired when they did.

An intervention was designed to try to diversify the range of people employees organically share new vacancies with by explicitly encouraging staff to share vacancies with underrepresented groups - what is known as targeted referrals. The intervention also encouraged managers to participate in friendly competition between departments. Like many organisations, MOD does not have a formal incentivised referrals scheme, so findings from this trial could apply to a wide range of male-dominated companies.

To test the impact of targeted referrals, a two-armed randomised control trial was run. As hiring managers advertised new vacancies in areas of MOD where women had been historically underrepresented, they were randomly allocated to either the control group or the intervention group.

Managers in the intervention group received an email inviting them to challenge their team to share the role with five women. Managers in the control group did not receive this communication. The trial ran for five months with around 800 hiring managers, 1000 vacancies, and over 18,000 applications.

While referrals in the control group reflected the gender make-up of the organisation (41% women), targeted referrals improved the gender balance among referrals (54% women) – an increase of 13 percentage points. Twice as many women were referred to a vacancy in the intervention group.

Targeted referrals increased both the number of applications from women and the number of offers made. However, they also resulted in more men applying and receiving offers. As a result, the intervention did not lead to significant changes in the share of applications from women and the share of offers made.

No unintentional negative effects were found for other minority applicants, in terms of ethnicity, sexuality and disability. Targeted referrals also had a positive impact on the quality of applicants as vacancies in the intervention group were significantly more likely to find a suitable candidate compared to the control group. Over time the increased numbers of women going into the MOD may lead to more women in senior roles there, given that women have higher promotion rates than men.

These results suggest that targeted referrals can rebalance gender inequality in informal referrals where attracting or selecting applicants is a source of inequality in recruitment.





34

## Youth unemployment

After years of steady reductions in joblessness, France's progress on youth unemployment is now facing new challenges. While more young people are in work, education or training than before the pandemic, policy makers should remember that after the last major shock, the 2007-8 financial crisis, youth unemployment in France continued rising for seven more years.

The government in Paris has put youth unemployment at the heart of its plan for economic recovery and allocated significant funding to strengthening youth employment support programmes.

Since January 2020, BIT has been working with the national and local government agencies Direction Interministérielle de la Transformation Publique (DITP), youth job centres and the Ministry of Labour on a project looking at ways to improve young people's engagement and experiences with their local youth job centres.

There are 440 Mission Locales across France, each tasked with helping young people into training and employment. Last year they worked with 1.3 million young people in this way making them a critical element in addressing youth unemployment.



The first stage of the project involved eight months of research conducted with the DITP on why young people sometimes abandon youth unemployment support programmes. The result of this was 'Mon Parcours Pro' (meaning 'My Professional Journey'), a digital tool developed by BIT to help young people prioritise their activities, stay motivated in their search for employment and maintain a regular dialogue with their advisor.

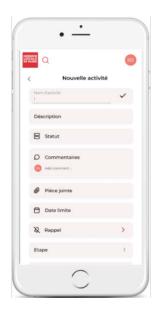
Over spring 2022 we piloted this app to test the effectiveness of three key behavioural levers built into it which we believe could have wider implications for the design of youth unemployment programmes.



The three levers are:

### Chunking

Chunking is the process of grouping together smaller pieces of information to improve recall and ease of use. Mon Parcours Pro utilises this behavioural insight to help young people bridge the gap between an overall goal and a practical plan. The app helps them deconstruct their longterm goal into stages, objectives and activities, and from there into distinct and manageable chunks. In this way they are empowered to develop and clearly see their pathway to employment or training from start to finish.





### Self-efficacy

The belief in one's ability to achieve specific goals which is key to success in the search for employment. Mon Parcours Pro applies this behavioural insight by enabling young people to create and complete simple tasks, visualise their progress and celebrate their accomplishments through the app. A system of achievements rewards users of the app, and advisors can send personalised messages of congratulations to recognise progress and development.

#### Timely prompts and planning

Timely prompts and planning are utilised by Mon Parcours Pro to help the young people keep track of their commitments and stay on top of their search. This encourages users to plan when, where and how they will complete tasks and the app provides reminders and notifications related to the activities, workshops and appointments they have coming up.





8

The development of Mon Parcours Pro and its features has been informed by and builds on BIT's previous work with job seekers in different countries over the years including the UK, the US, Australia, New Zealand, Canada and Singapore.

36

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37

## How WEIRD are Malaysians' financial behaviour biases?

One of the criticisms of behavioural science (in common with other related disciplines such as psychology) is that it only looks at people in WEIRD countries – Western, Educated, Industrialised, Rich, and Democratic.

Therefore testing biases and their effects on behaviour in different societies and cultures is important to understand whether results still hold. For example, one often discussed <u>study</u> from 2009 tested a cooperation game tested in two Swiss and two Russian cities. The researchers found that Swiss participants pro-socially punished low contributors, while Russian participants punished both low and high contributors. This 'anti-social punishment' does not match our intuitions of how groups work together, and it sparked a <u>similar study</u> across 15 countries where anti-social punishment was observed in around half of the countries.

Well aware of the WEIRD debate and keen to avoid falling short in recognising the risk, BIT partnered with Perbadanan Insurans Deposit Malaysia (PIDM), the government deposit insurance authority in Malaysia, to explore the replicability of previous behavioural trials in the financial space. The aim was to examine the financial behaviours of Malaysians and understand how these are affected by cognitive biases. Online surveys were run with over 2,000 Malaysians focused on reported financial behaviours and biases through a combination of self-report instruments and experiments. The findings aligned with expectations around how these biases affect behaviour:

## Present bias was negatively correlated with saving more and having insurance

Participants were asked about their savings habits and insurance coverage, and then presented with a series of options to receive money sooner or later. As present bias increases, the level of emergency savings decreases. There were also similar effects on insurance – higher present bias correlated with people being less likely to have insurance.

#### 2 The 'default' option influenced Malaysian people's choices

The effect of default options in choice environments is a well-known example of how a seemingly irrelevant factor can influence decision-making. Would this hold true for this Malaysian sample?

Respondents were entered into a lottery, and offered to "save" a proportion of their potential winnings at a high interest rate, then let them pick how much to save. We tested two treatment conditions: One where saving all the winnings was the default option and one where we "framed" the savings as something tangible.

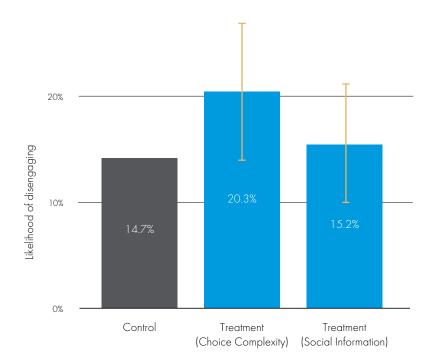
For example respondents were told: "You could treat yourself to a new outfit, a new smartphone, or take the kids for a fantastic day out". These had no effect on the likelihood of people choosing to "bank" some of their potential windfall, but it did increase the amount they saved by a statistically significant RM58 (approx \$14) on average.

#### 3 Increasing choice complexity may lead to disengagement

Finally, the project looked at if the choice overload cognitive bias could explain why young urban Malaysians – who are generally higher income, financially literate, and have access to providers – might not be insured.

The control group in the experiment was asked to choose between three insurance options: annual coverage, annual premium, and costs covered. Others saw 'star ratings' for each option, which we indicated were based on other users' ratings. The third group were given eight different insurance options with added deductibles and a range of different "additional benefits". Each group was given an "I don't know" button to allow them to make no choice.

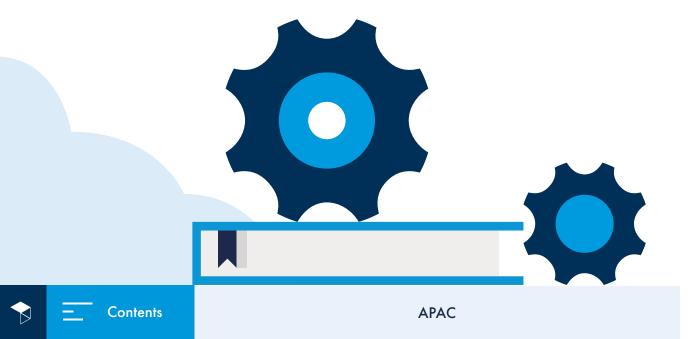




### Figure 1. Likelihood of disengaging from insurance decision, by treatment

The option chosen wasn't important, rather would any choice be made at all? Directionally speaking (only one of the models was statistically significant), a higher proportion of those faced with a complex choice opted to disengage and not choose at all.

In these studies, Malaysians' showed similar present bias, default bias, and aversion to choice overload to those previously observed in WEIRD samples.





40

## No need to panic

Empty supermarket shelves were a common sight at the start of the pandemic, as panic buyers responded to new public health restrictions.

At its core, panic buying is a behavioural issue. Perceptions of scarcity, a need for control in uncertain circumstances, and other psychosocial factors can spark it. Though much research has been done on the causes of panic buying, little is known about what might prevent it.

The Victorian Department of Jobs, Precints and Regions in Australia commissioned BIT to explore solutions that might help. This involved running an online randomised control trial to test whether certain communications could reduce panic buying. Then, they were randomised into three treatment groups and one control group. Treatment groups received evidence-informed messages and people in the control didn't get any message.



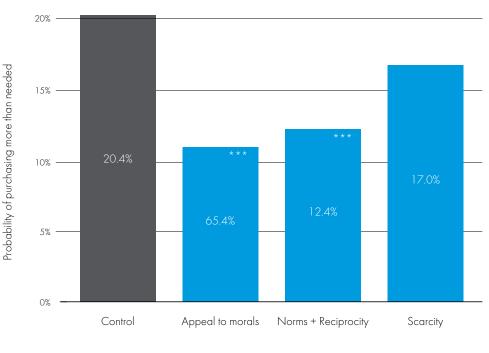
Contents

The three treatment messages were:

- 1. Appeal to morals: "If you're greedy and buy more than you need at the supermarket, there will be gaps on shelves and the state's most vulnerable people will miss out."
- 2. Combatting scarcity: "Australia produces three times as much food as it consumes. We're not going to run out so please buy only what you need at the supermarket."
- 3. Norms + reciprocity: "To help your family and your community, please buy only what you need and think of others when you shop at the supermarket. Most people do the right thing."

The appeal to morals message led to a small, but statistically significant reduction in intentions to panic buy. But to test whether participants' panic buying *behaviours* would be influenced, they were given a behavioural decision task.

Participants were reminded of the original scenario, asked to pick a product and indicate how much of it they would need for two weeks at home. Then they were given the option to either purchase more (representing panic buying), the same or less. Participants were also told that they could earn an additional payment depending on their choice and the choices of others – reflecting the prisoner's dilemma economic theory. This incentive structure pitted the common good against individual interests, much like the reality of panic buying. The treatment message was then repeated before they made their choice.



#### Figure 1. Simulated panicbuying behaviour

N = 2,002 +=p<0.1, \*=p<-.05, \*\*=p<0.01, \*\*\*=p<0.001



There was a large and significant reduction in simulated panic buying behaviour from both the appeal to morals and norms + reciprocity messages. These findings are interesting because the appeal to morals message reduced both intentions and behaviour, suggesting that there's something very powerful about making a strong moral appeal. In contrast, the norms + reciprocity message didn't seem to affect intentions at all, but did have a very big impact on behaviour. This is not uncommon. As individuals we often underestimate how powerful social influences can be on our behaviour.

These results also suggest that only a minority of people actually panic buy. This is consistent with self-reported panic buying behaviour, and with international evidence. This means that there's a role for governments and the media to clarify that most people do the right thing and to dispel stories that incorrectly depict panic buying as widespread.

These are exciting results. We're not aware of other research that has tried to address panic buying, but there's a lot more to learn. For example does the effectiveness of the message vary depending on the messenger? Can messages effectively target specific products? Would the results change if participants repeated the behavioural task multiple times?

Contents

Americas

## Promoting take up of tax benefits

Every year, thousands of lower income Canadian families miss out on about CA\$5,000 in benefits and refunds because they do not file their taxes. It is easy to understand why. Tax filing can be burdensome and complex. It is voluntary if you do not owe any money, and the benefits of filing are sometimes unclear.

Community-based organisations like the <u>Oak Park Neighbourhood Centre (OPNC)</u> in Oakville, Ontario have stepped in to help. OPNC runs free, year-round tax filing clinics where residents can get help from a certified tax filer. Their impact is enormous. In 2020 alone, OPNC helped residents access almost CA\$1.4 million in tax benefits and refunds. The average amount filers received was CA\$4,775, which might mean months of rent, groceries and utility bills paid.

Community-based non-profits <u>United Way Halton Hamilton (UWHH)</u> wanted to build on this and brought together a group of organisations including OPNC and BIT Canada to look at this, with funding from the Ontario Trillium Foundation.

BIT designed a new email for OPNC staff to send out to encourage uptake of their free tax filing service. It used a behavioural insight known as **enhanced active choice**, which encourages people to make an active decision about what they want to do, while drawing out the implications of their decision.

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44

A randomised control trial between June and October 2020 looked at whether people would respond to such an enhanced active choice email, sign up for the tax filing service, and, most importantly, get their refunds and benefits.

The trial found that about four times as many people responded to the active choice email and ended up filing their taxes with OPNC, compared to the control group who received an email similar to previous communications. This relatively simple and costless email change may have helped Halton families access more than \$67,000 in tax benefits and refunds, a sizable return on investment.

Still, this was a small-scale experiment reaching out to about 750 people that had previously connected with OPNC. While statistically significant, in absolute terms, the total number of people who filed their taxes with OPNC was still quite low.

In early 2022 the trial was expanded to reach a much larger population by using direct mail instead of email. Letters were sent to randomly selected households in lower-income neighbourhoods served by OPNC. The letters again featured an enhanced active choice nudge. However, this time there was no statistically significant increase in tax filing from the letters. This result suggests that either the medium (email vs. letter) or the population (people who had previously connected with OPNC as in the first stage vs. a broader swath of individuals in the second) was key to the email trial's success.



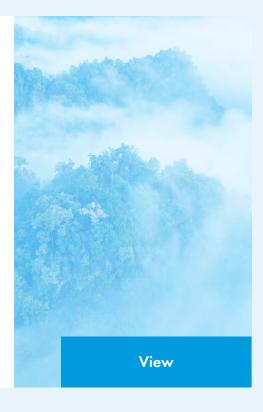
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