

# Behavioural Insights Team

## Annual update 2011-2012

### Introduction

The Behavioural Insights Team (BIT) was established in July 2010 to help make a reality of the Coalition Government's intention to find ways of encouraging, supporting and enabling people to make better choices for themselves. It was given three challenging objectives up to a Sunset Review, set for summer 2012. These were to:

- transform two major areas of policy
- spread understanding of behavioural insights across Government
- achieve at least a 10-fold return on the cost of the team

The Sunset Review found that the team had met these objectives. BIT has:

- led six major pieces of work, published four policy reports, and contributed to tens of other policy areas;
- helped greatly to improve Whitehall's understanding of behavioural insights through joint projects, conferences, seminars, workshops and support in developing randomised controlled trials.
- achieved savings of around 22 times the cost of the team and identified specific interventions which will save at least £300m over the next 5 years

The Cabinet Secretary and the Prime Minister concluded that, on the basis of the team's success, it should continue to operate. They also concluded that it should be given greater freedoms and flexibilities to respond to the growing demand for the application of behavioural insights, both within and outside government.

In practice, this will mean that the team will continue its programme of work for the Cabinet Office for another 2 years. In addition, BIT is able to respond to additional demand on a charge-for basis, where it meets the team's underlying social purpose. Two pieces of work will shortly commence in partnership with:

- The Government of New South Wales, Australia, which would like to embed insights from behavioural sciences across a range of public policy priorities
- Freebridge Housing Association, which is seeking to use behavioural insights to help with the redevelopment of a housing estate in King's Lynn

The team's first Annual Update detailed the range of work that BIT undertook between July 2010 and July 2011.<sup>1</sup> This summary provides an update of much of the work that has been undertaken since then and is structured around eight broad areas that the team has worked on over the past year.

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<sup>1</sup> *Behavioural Insights Team: Annual Update 2010-11*, Cabinet Office, 2011

## 1. Test, Learn, Adapt

Over the past two years, the team has been pioneering the use of ‘randomised controlled trials’ (RCTs) to test the effectiveness of public policy interventions. RCTs involve the introduction of a randomly assigned control group, which enables you to compare the effectiveness of a new intervention with what would have happened if you had done nothing. They are at the heart of the team’s methodology for testing new initiatives and demonstrating what works.

In July 2012, the team published ‘Test, Learn, Adapt’,<sup>2</sup> a how-to guide for policy makers on the use of RCTs to test public policy interventions. The paper has had 25,000 page views, and is already one of the most downloaded publications since the Cabinet Office website launched.

## 2. Fraud, Error and Debt

In February 2012, the team set out the results from eight trials, drawing on the *Test, Learn, Adapt* approach, that applied insights from behavioural science to reduce fraud, error and debt.<sup>3</sup> The work demonstrated effects which will save the Government more than £70m per annum in increased fine collections and reduced administrative expenditure. These trials have since been built upon, revealing new insights. They include:

- A trial which changed the messages conveyed to Doctors with outstanding tax liabilities, which has brought in an additional £3m in revenue this year.
- A trial with HMRC that showed how telling late tax payers that most people in their towns had already paid their tax increased payment rates by 15 percentage points. When rolled out this will generate £30m of extra revenue to the Exchequer annually. Subsequent trials are demonstrating new nuances about how best to convey these messages.
- A trial with the Courts Service showed how personalised text messages were six times more effective than final warning letters at prompting fine payments. The Courts Service estimate that this will save some 150,000 bailiff interventions and £30m per annum when this is rolled out across the country (which is now planned).

## 3. Energy Efficiency

The team has continued to work on domestic energy efficiency. We are supporting DECC in how the new £200m Green Deal fund might be deployed, and have

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<sup>2</sup> Test, Learn, Adapt: Developing Public Policy with Randomised Controlled Trials, Haynes, Service, Goldacre, Torgerson, 2012.

<sup>3</sup> *Applying Behavioural Insights to Reduce Fraud, Error and Debt*, Cabinet Office, 2012

redesigned Energy Performance Certificates which draw attention to the costs of heating and lighting a home. These are now being introduced.<sup>4</sup>

The team has also developed a range of experiments and trials which have sought to test the effectiveness of different behavioural effects in encouraging greater household energy efficiency. For example, we have demonstrated that:

- Offering home owners a loft-clearance service can significantly increase the odds of installing loft insulation by over a factor of 4. This result highlights the importance of addressing non-monetary barriers to behaviour change, specifically in this case, the hassle factor of clearing your loft.

An important twist on this work, which had more than one intervention group, was that the effect of the loft clearance is reduced when the loft-clearance service is offered at commercial, rather than subsidised rates. This information is now being used to inform work in the run up to the launch of the Government's flagship Green Deal programme.

The team has also developed a range of trials which will be going live this Winter. These include:

- A large scale trial testing the effect of different types of up-front incentives to improve home energy efficiency
- A smaller trial which will test the efficacy of entering individuals into a prize draw who take up energy efficiency measures

#### 4. Encouraging People into Work

The team has been leading over a set of trials with Jobcentre Plus, which examine new ways of helping people back into work more quickly. The team has been working with three Jobcentres in different parts of the Country (Essex, North London, and Durham and Tees Valley).

Working alongside Jobcentre teams, BIT has helped redesign a range of different processes, focusing in particular on:

- Redesign of the initial contact with Jobcentres, so that initial work-focused conversations happen much sooner (sometimes weeks before they would have otherwise taken place);
- Developing new tools which seek the active commitment of job seekers to engage in specific activities, linked to aspects of their daily routines ('commitment devices'), and offering greater stretch; and

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<sup>4</sup> The original designs were set out in *Behaviour Change and Energy Use*, Cabinet Office/DECC/CLG, 2011

- Building resilience and motivation of job seekers, for example by breaking down the process of finding work into manageable steps and enabling job seekers and advisors to understand their individual strengths

The early results have been very promising. In the first feasibility study in Loughton, Essex, the initial cohort of job seekers are significantly less likely to be claiming benefits within 13 weeks than those who have not received the more focused package of BIT support. We believe that, as this work develops, it could have important lessons for all Jobcentres, and for the forthcoming Universal Credit programme.

## 5. Helping SMEs Grow

The team is in the process of establishing some of the UK's first randomised controlled trials to test ways of supporting SMEs. This includes:

- A large scale, £200m trial, testing whether business support programmes are effective at boosting SME growth
- A trial in partnership with a credit reference agency, which will examine whether we can help SMEs grow by providing them with personalised information about their firm's current credit rating, and a number of easy ways to make it more accurate

We have also been, in partnership with the Department for Business, pioneering the development of new forms of SME investment informed by insights from behavioural sciences. These include:

- the development of the Business Finance Partnership, which is a £100m government fund which will be co-invested through non-traditional channels, such as peer-to-peer platforms, supply chain finance and mezzanine finance for businesses with a turnover below £75 million.<sup>5</sup>
- the development of a new form of lending under the Enterprise Finance Guarantee scheme, which will support large businesses to make decisions about whether to extend credit to SMEs. We believe that some of these firms may often be better placed than banks to take these decisions, often on the basis of long-established relationships and credit lines.

## 6. Midata: Helping Consumers to Access their Data

Last year the team co-authored the Government's Consumer Empowerment Strategy.<sup>6</sup> One of the central elements of this strategy is the midata programme, which seeks to give people access to their personal data in an electronic re-usable format.

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<sup>5</sup> [www.bis.gov.uk/business-finance-partnership](http://www.bis.gov.uk/business-finance-partnership)

<sup>6</sup> *Better Choices, Better Deals*, Cabinet Office/BIS, 2011.

We have continued to work with BIS on this programme, which under the chairmanship of Professor Nigel Shadbolt. Extensive has made progress, in particular in the energy sector, which is beginning to give customers access to their transaction data in a portable, machine-readable form.

In order to take this programme of work further, we have recently put out a consultation document seeking views on a proposal to strengthen the midata programme by creating a new, legal right for consumers to access their personal transaction data in a machine-readable format.<sup>7</sup> The consultation is now closed, and we will shortly be deciding how to respond.

## 7. Supporting Giving

The team is launching around eight randomised controlled trials over the next few months, many of which are in partnership with large organisations, looking at new ways of encouraging charitable giving through payroll giving schemes.

The pilots and trials draw from a wide range of different insights from behavioural sciences. Amongst other things these will test whether:

- Encouraging individuals to commit to giving money when they get a future pay rise (rather than on the day that they receive it) will increase payment rates
- Using lotteries to encourage giving is more effective than a match-fund from the employer, and testing whether non-financial rewards can be more effective than a cash prize (e.g. a day off for the winner)
- Prompting people to sign up to payroll giving at the same time that they sign other pieces of office admin makes it easier for them to do so
- Making it easier for people to increase their giving by offering automatic escalation can help prevent donations being eroded by inflation
- Letting people ease into giving and find a level that suits them helps get more people involved in giving in the workplace.

We anticipate to begin getting results from these trials later this year.

## 8. Reducing alcohol consumption

The team has been working with the Department of Health and the Home Office in developing the government's strategy to reduce the harmful effects of alcohol, published in March.

There are two main areas in which we have focused our activities:

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<sup>7</sup> <http://www.bis.gov.uk/assets/biscore/consumer-issues/docs/m/12-943-midata-2012-review-and-consultation.pdf>

- understanding what the cumulative, longer term effects of alcohol marketing communications might be on society, and particularly on young people;
- the impacts of different prices on individuals' propensity to consume alcohol.

The team is now engaged in work to implement some of the proposals set out in the strategy, and to establish an up to date mechanism through which the Government and regulators can more effectively understand the impacts of modern marketing communications.

## Conclusion and Next Steps

It has been a highly successful year for the Behavioural Insights Team (BIT). We have had some great results in areas like fraud, energy and welfare, and will shortly start seeing the results from new trials in areas as diverse as charitable giving, SME growth, and the midata programme.

This success has been reflected in the demand for the work of the team, which has increased significantly since BIT was established two years ago. We are seeing new Behavioural Insights Teams being created in other government departments, keen to think through how behavioural sciences can be applied to their policy areas. And there is growing interest from other Governments and organisations working on public policy issues who believe that they too can learn from the work that we have been developing in the UK.

This year, the team will continue to push forward a rich programme of work, and is likely to have a particular focus on jobs, SME finance, and energy efficiency. But the team will also begin to work for external organisations too, where there are projects of interest that fit with the team's underlying social purpose.