Behavourially informed social policy in Australia

Paper prepared for Department of the Prime Minister and Cabinet seminar – 6 June 2014

Dr Nicholas Biddle
Research School of Social Sciences
The Australian National University
What is behaviourally informed social policy

Social policy is a vague concept. It can mean different things in different contexts and can be exclusive focusing only on transfers and payments that fall within the welfare system. Or, it can be much more inclusive and include the following: programs and payments whose main aim is to reduce disadvantage and narrow divergence in opportunity.

Such a definition clearly includes the main transfers and payments made by government like unemployment insurance, disability support and child care payments. However, it would also include a number of education, health, employment, housing and other policy initiatives, especially those that focus on particular population sub-groups with a history of ongoing disadvantage.

Within this definition, what might a behaviourally informed social policy look like? In general a behaviourally informed social policy is one that explicitly takes into account the available research and evidence on choices, behaviour and predictable biases.

Before discussing this evidence and research, it is worth considering some of the key issues and questions that are of relevance for current social policy debates in Australia. Identifying these questions and issues is important for identifying a behaviourally informed response.

Key social policy issues and questions

At the time of writing, Thomas Piketty’s (2014) opus, Capital in the Twenty-First Century is capturing policy and economic debates. While this is most intense in the United States, there has also been considerable interest in Australia for what the results might mean here. This highlights an ongoing relevance for that most enduring of social policy questions – What is happening to income inequality through time and across the population? However, the distribution of other economic and social variables is equally important including wealth, consumption, autonomy, and, most interestingly, time. From a policy perspective, this raises the question as to how the payments and transfer system either reduces or exacerbates inequality, and to what extent does inequality impact on other policy areas?

The effects of inequality and the distribution of assets are felt by some groups more than others. A second key social policy question is therefore – Are there particular groups who are facing ongoing disadvantage and exclusion? Some groups for whom this might be the case are Aboriginal and Torres Strait Islander (Indigenous) Australians, particular migrant groups and cohorts (in particular refugees), the aged and those with a disability. The existence of such groups reflects a policy failure and we therefore might well ask how might policy better reflect their needs?

One way that these groups have been able to achieve social mobility is through education. A system that is universally available and of consistently high quality is much more likely to see the children of those from disadvantaged backgrounds improve their social position with life outcomes more reflective of aptitude and attitude. By contrast, if those with greater access to economic resources have access to higher quality schooling, university and early childhood education and care, then social disadvantage is much more likely to be entrenched through time. A fundamental question, therefore is – Does the current education and health system enhance or reduce social mobility? This question has been of intense policy debate with the Gonski Report on School Funding. However, while important, it is also necessary to consider whether changing funding models is enough to increase mobility.

Another source of mobility that can reduce or exacerbate disadvantage is geographic mobility. Given the uneven distribution of services and labour market opportunities a key social policy question is – Where are people moving from and to? This movement could be within and across cities, as well as between urban areas and other parts of the country. While many migration decisions are likely to be based on individual circumstances, social policy researchers and policymakers may be concerned if mobility is being increased or constrained by government policy in unconscious or poorly thought through ways.
Many, if not most of the decisions flagged above are made at the family level. However, in order to understand these decisions, we need to know – How is the structure of the family changing? How are the numbers and proportion of single parent or lone person families changing? Are there an increasing or decreasing number of multi-generational families or households? Within couple families, are family sizes increasing and are outcomes different for same-sex couples?

The reason why the family is an important area of social policy is that it is the unit within which much care takes place. This includes care for children, the aged, or those with a disability. However, patterns of care are not consistent and in addition to the family, the market and government can take on a greater or less role through time. An additional social policy question related to the family is therefore – What are the changing patterns of care within and outside the family? If these patterns are changing, then we need to know whether policy can better support those who currently need, or are giving, care?

These are just a selection of the questions and issues that need to be considered within a social policy framework. Some (but not all) of them may require a policy response that involves the outlay of public resources. However, this needs to be done at a time of reduced revenue to governments and other calls on resources. Sitting across the issues, therefore, is the question of – How can we ensure that the social security system continues to be affordable? The transfer system within Australia is one of the most highly targeted across developed countries, so there is less scope to contract payments down the income distribution without increasing effective marginal tax rates. But, we need to consider whether there are other policies or settings that discourage those who are willing and able to work from working? Social policy does not just involve direct payments with governments providing a number of services. To keep this affordable, we need to ask whether particular services can be delivered in a way that is more efficient and whether there are services that the government is providing that could be provided by others?

Answers to all these questions are more robust if backed up by the most recent evidence on behaviour and choices.

Behavioural insights

Homo Economicus, rather than Homo Sapiens, is the target of many of our social policies. According to Koh (2012), the former is made up of ‘self-interested, rational agents: they analyze the costs and benefits of various options and choose the option that maximises their utility. They have stable, consistent preferences and the options they face are comparable to one another.’ Research is increasingly showing, however, that this description does not apply very well to Homo Sapiens.

Instead of rejecting Homo Economicus outright, we should recognise that he/she is a useful starting point for designing policy that has given us and will continue to give us useful ongoing insights. People are not completely random in their decisions. However, the key insight from the behavioural sciences is that people are not completely rational either. Rather, people exhibit predictable biases that make it less likely that they will achieve their own stated desires.

This deviation from complete rationality can complicate the design and efficiency of public policy. It is much easier to factor in people’s preferences when they are stable and easily modelled. The second main insight from the behavioural sciences though is that an understanding of the predictable biases exhibited to varying degrees by most Homo Sapiens can also be used to better design policy. The following discussion outlines what some of the main biases are, as well as some of the additional insights from the behavioural sciences.

Bounded rationality and heuristics – We don’t make the perfect decision, but a good enough decision

Individuals tend to take short-cuts and put limits on the effort that they will go to act rationally. This is the insight from Herbert Simon a psychologist who won a Nobel Prize in Economics (in 1978) for his work on the concept of bounded rationality (Simon 1955).
According to Koh (2012: 22), Simon has argued in a number of papers that ‘the theory of rational choice placed unrealistically high cognitive demands on people’ and that people instead made choices based on satisficing or where individuals ‘generated an aspiration of the kind of solution they were looking for, searched for it one solution at a time, and stopped searching once they had found something acceptably close to their aspiration.’

Kahneman (2011) developed this idea further in his book *Thinking Fast and Slow* through the concept of heuristics or simple rules that individuals use to make complicated decisions more manageable. An example of such a heuristic is mental accounting (Thaler 1999) where rather than treating all financial decisions together, individuals assign expenditures to different categories or mental accounts like food, clothing, entertainment, mortgage payments, etc. Costs and benefits are then analyzed within each category rather than globally. While this reduces cognitive load, it can lead to inefficient decisions, for example by making decisions differently for savings accounts, investments accounts and cash (when in practice all money is fungible).

**Complexity, scarcity and cognitive load – Poverty increases the cost of bad decisions and makes them more likely**

Kahneman (2011) uses the concept of System 1 (rapid, easy decision making) and System 2 (slow, deliberate decision making) to consider under what circumstances people will behave in ways that approximate the rational decision maker and under what circumstances people will exhibit known biases. According to a number of experiments presented in the book, the latter is most likely to occur under times of stress and high cognitive load. As argued in Mullainathan and Shafir (2013a), poverty and social deprivation is a situation of high stress and cognitive load with much less ‘slack’ in the life of the poor. While there is some evidence that lower levels of education and financial literacy impact on the decisions of the poor, it is also likely that anyone who is faced with such circumstances is likely to make what might appear from the outside (and to policymakers) to be irrational decisions. Everyone suffers from such biases; it is the consequences that are so much worse for people in poverty.

**Loss aversion and the endowment effect – We care more about what we lose than what we gain**

Loss aversion refers to an individual’s preference for avoiding losses over receiving gains of a similar (or even smaller) amount. Related to this is the concept of the endowment effect where people value things that they already own or have possession of over similar goods that they do not. As noted in Camerer and Loewenstein (2004: 5) the concept of loss aversion has been noted at least as far back as Adam Smith’s (1759/1892: 311) *Theory of Moral Sentiments* where he stated that ‘we suffer more … when we fall from a better to a worse situation than we ever enjoy when we rise from a worse to a better.’

One of the policy implications of loss aversion and the endowment effect is that there can be a divergence between a person’s willingness to pay (WTP) for a good and the willingness to accept (WTA) payment can impact on the valuation of public goods. People are more likely to accept policies with smaller gains but no one being made worse off than those which result in larger gains and losses for a small minority of people.

**Framing and construal – We make decisions based on how the world appears, not how it is.**

According to Mullainathan and Shafir (2013a: 282) ‘Behavior is directed not toward actual states of the world, but rather toward our mental representation of those states, and mental representations do not always bear a one-to-one relationship to the thing they represent, nor do they necessarily constitute faithful renditions of actual circumstances.’ In other words, framing matters.

In addition, the history, context and nature of the relationship between the State and individuals involved or targeted by an intervention matter. Interventions that are otherwise well-intentioned or might be well received in a context where relationships between individuals and service providers (and who they represent) are amicable have the potential to
be interpreted as insulting, stigmatising or as a representation of expected behaviour when those relationships are antagonistic. The example given in Mullainathan and Shafir (2013a: 282) is where ‘people who are rewarded for a behavior they find interesting and enjoyable can come to attribute their interest in the behavior to the reward and, consequently, come to view the behavior as less appealing.’

**Hyperbolic discounting and the power of defaults – We care about the present. A lot**

It has long been recognised that individuals value consumption or leisure in the current period higher than they do in future periods. This present bias decreases the willingness people have to undertake activities like education or financial savings which have up-front costs but long-term benefits but increases the willingness of people to engage in behaviour that has short-term benefits but long-term costs (like smoking, alcohol consumption or risky sexual behaviour).

The standard assumption that has been used since Paul Samuelson (1937) is that individuals exhibit time-consistent discounting which can be approximated by an exponential discounting function. In essence, the difference between the valuation of today and tomorrow is the same as the difference between 100 days and 101 days hence. Such consistency has not, however, been supported by empirical data. Rather, individuals are very impatient over the short-term but very patient over the long term. This is known as hyperbolic discounting and, as discussed in Frederick et al. (2002: 361) explains why ‘someone may prefer $110 in 31 days over $100 in 30 days, but also prefer $100 now over $110 tomorrow.’

The implication for behaviour is that even very small up-front costs can have large implications for people’s long term outcomes. This partially explains the power of default options, or the option that will hold if no action is taken. Standard models assume that the default option amongst many should have only a negligible impact on people’s choices. However, in reality the small physical cost of having to tick a separate box on a form, alongside the somewhat larger mental cost of having to figure out which is the best option can lead people to remaining in a program or stream which is not in their own stated long term interests (Thaler and Sunstein 2008).

**Happiness and subjective wellbeing – Money buys happiness, but it gets more expensive**

There are two broad measures of subjective wellbeing used in the academic literature – emotional wellbeing and life evaluation. According to Kahneman and Deaton (2010: 16489) ‘Emotional well-being refers to the emotional quality of an individual’s everyday experience— the frequency and intensity of experiences of joy, stress, sadness, anger and affection that make one’s life pleasant or unpleasant’ whereas life evaluation ‘refers to the thoughts that people have about their life when they think about it’. A third concept of wellbeing that is related to, but slightly different from, life evaluation is eudaimonia (also referred to as eudaimonic wellbeing, eudaemonia or eudemonia) which, according to Fredrickson et al. (2013) ‘results from striving toward meaning and a noble purpose beyond simple self-gratification.’ Such a concept was used heavily by ancient Greek philosophers (especially Aristotle) and although sometimes translated to mean happiness, can better be thought as flourishing or one’s life having meaning.

In many behavioural models and empirical research, a person’s income or the income of their family has been used as a proxy for subjective wellbeing. There is some empirical support for this as those countries or individuals with higher income tend to report higher levels of wellbeing (Clark, Frijters & Shields 2008; Kahneman & Deaton 2010). However, there are three reasons why income (or consumption/expenditure) is not a completely satisfactory substitute for more detailed measures of wellbeing. First, although the relationship is positive, it is non-linear. Second, the distribution of income matters. Third, it matters how that income is generated.

Taking these three limitations together, government policy that solely aims to improve income or some other measure of socioeconomic status, or a policy that is evaluated using
socioeconomic status as a proxy may not lead to sustained improvements in wellbeing and may even have unintended negative consequences. This is true for nations as a whole, as well as for particular population subgroups.

**Identity, stereotype threat, social interaction and social norms – We care about how we see ourselves and how others see us**

Identity can either reinforce or counterbalance other aspects of a person’s utility function. That is, ‘When people are doing what they think they should be doing, they are happy’ … ‘But those who are not living up to the norms that they (and others) have set for themselves … are unhappy’ (Akerlof and Kranton 2010: 13). Identity can therefore be used to explain a range of behaviours that reinforce a person’s utility or what they would otherwise classify as being in their long-term best interests. For example, a person whose identity is tied to their exercise or healthy eating will gain utility from reinforcing that identity as well as the benefits that flow from that behaviour.

The concept of identity can also be used to explain a person’s behaviour that is contra to other aspects of a person’s utility function or long-term goals. There are a number of papers that consider the different and generally higher costs of education for minority groups. Akerlof and Kranton (2002) as well as Austen-Smith and Fryer (2005) consider situations where a minority subgroup faces a trade-off between higher wages and the social stigma one gets from their own subgroup. This stigma results from expending time in an activity associated with the majority group.

Even when individuals don’t consciously resist education (or other activities related to the dominant culture), their fear, anxiety or concern in a situation which has the potential to confirm a negative stereotype about their social group (Stereotype Threat) has the potential to worsen their performance (Gilovich et al. 2006). This is particularly likely to happen when that negative stereotype is made salient, for example in a classroom setting or intervention that reinforces the fact that the person’s population sub-group performs worse on average. A classic example is the experiment conducted by Steele and Aronson (1995) who showed that black college students (in the US) had scores much closer to those of whites in a situation where the test was described as not being diagnostic of ability.

**Fairness – We care about how much others have, not just how much we have**

There is strong evidence (Kahneman and Krueger 2006) that those activities that have the greatest association with subjective wellbeing are essentially social ones with a meta-analysis by Holt-Lunstad et al. (2010) showing that ‘The influence of social relationships on risk for mortality is comparable with well-established risk factors for mortality like smoking, alcohol and obesity.’ Such concerns can lead to a preference for fairness. According to Mullainathan (2007: 107), ‘people care about others and are willing to give up resources to help others, and people react negatively to perceived unfair behavior and are willing to give up resources to punish it’ (italics in original).

Belief in fairness and, related to it, the sharing of resources, has been termed in the anthropological literature as the moral economy. Its current usage stems from the analysis by Thompson (1971) of the working class in 18th century England and Wales and was defined by Peterson and Taylor (2003: 106) with regards to the Indigenous population as ‘the allocation of resources to the reproduction of social relationships at the cost of profit maximisation and obvious immediate personal benefit.’ From a policy perspective, the literature on social interaction, fairness and the moral economy suggest that individuals will not necessarily undertake activities that are in their economic self interest if they conflict with their social interests and, furthermore, will reject policies that are perceived (rightly or wrongly) to negatively impact on notions of fairness.
Implicit prejudice and discrimination – Most of us are racist/sexist; we just don't know it (or care to admit it).

Becker (1971: p. 14) defined people as having a ‘taste for discrimination’ if they acted in such a way that they were ‘willing to pay something, either directly or in the form of reduced income, to be associated with some persons instead of others.’ Altonji and Blank (1999: p 3168) define labour market discrimination as ‘a situation in which persons who provide labor market services and who are equally productive in a physical or material sense are treated unequally in a way that is related to an observable characteristic such as race, ethnicity or gender.’ Such definitions work well for aspects of discrimination that are conscious and result from personal animosity or hostility towards another group. More recently, however, behavioural research has shown that most prejudice is implicit and, perhaps even more surprisingly, that implicit discrimination can have a more damaging effect on those who experience it.

Specifically, Hardin and Banaji (2013: 13-14) define implicit prejudice as that which is ‘unwitting, unintentional and uncontrollable.’ An example covered by the authors include a set of experiments where (in the US) professional police officers were more likely to shoot (simulated) black individuals holding firearms than white individuals and more likely to avoid shooting whites carrying tools (made to look like firearms) than blacks. Hardin and Banaji (2013: 18) also make it clear that ‘Implicit prejudice is not limited to judgement of others, however, but also affects self-judgement and behavior, especially with regard to intellectual performance.’

The need for a behaviourally informed choice architecture and the limits of nudges

In their widely popular best seller Nudge: Improving Decisions about Health, Wealth, and Happiness, Richard Thaler and Cass Sunstein (2008) outline the need for much greater focus being put on ‘choice architecture’ or the way in which choices and decisions are framed and constructed. They argue convincingly that decisions are influenced by what seem to be irrelevant features of the decision-making context and a ‘nudge’ is therefore changing the choice architecture in a certain way that yields certain decision. In fact, the term nudges is an acronym which they use to summarise their main recommendations for choice architects:

- iNcentives: people have to feel they are getting something for their choice
- uNDERstand mappings: you have to understand how they see things
- dEFAULTs: make sure the ‘do nothing’ route is one of the best
- gIVE feedback: investigate the rejected options, and experiment with them
- eXpect error: humans make mistakes, so well-designed systems allow for this
- sTRUCTURE complex choices: if it’s difficult, break it down into easier chunks.

Sunstein and Thaler (2008: 5) argue that the conscious use of choice architecture falls under the category of ‘libertarian paternalism.’ That is, it is paternalism in the sense that ‘it tries to influence choices in a way that will make choosers better off, as judged by themselves’ and libertarian in the sense that it aims to ensure that ‘people should be free to opt out of specified arrangements if they choose to do so.’

An alternative classification is given in Sunstein (2014). Here, the author makes the distinction between hard and soft paternalism. Specifically, although there is a continuum rather than a strict cut-off, Sunstein (2014: 57) says that ‘a statement that paternalism is “hard” would mean that choice architects are imposing large costs [broadly defined] on choosers, whereas a statement that paternalism is “soft” would mean that costs are small.’

Nudges have captured a large share of the policy focus on behavioural insights. This is partly driven because in certain circumstances they have the potential to have significant policy impacts at very low cost. They are, however, a very small part of the implications for social policy from the behavioural sciences. Sometimes a nudge needs to turn into a shove, especially if certain behaviour or choices have negative consequences for others.
Furthermore, behavioural insights can identify the effect of things like poverty. But, responses to many policy challenges require significant resources.

Another limitation of conscious choice architecture is that it can have the tendency to infantilise the population. This is unlikely to occur from an individual initiative, more often than not a choice architecture needs to be set anyway, it might as well be an informed one. Where there is a potential concern is where the widespread use of nudges leads to citizens assuming that all defaults are what is in their best interest. This is recognised by Sunstein (2014: 94) who states that ‘mistakes are often productive. Life is a movie, not a snapshot, and people learn from what goes wrong.’

Ultimately, unscrupulous or poorly thought through applications of nudges (or any behavioural insights) could be disturbing and damaging. This is particularly the case for social policy where those who are the target of policy are often the most vulnerable and have a history of negative interactions with the State. To minimise the chance of this occurring, the ethics of each policy change needs to be explicit and articulated and the public in general supportive. Sunstein (2014: 147-148) recognises this need for transparency and argues that ‘nothing should be hidden, and everything should be transparent. Soft paternalism, nudges, and any other behaviourally informed approaches, no less than hard paternalism, should be visible, scrutinized, and monitored.’

Methods and data

The new social policy questions discussed earlier require new methods of analysis or the application of existing methodological approaches in ways that they haven’t been applied before. While all policy domains should ideally be based on the best available evidence, it could be argued that this is particularly the case for a behaviourally informed social policy. There are many reasons for the power of default options. An important one though is the assumption from the public that the ‘choice architects’ have taken relevant information into account and identified the best available option. Given that Sunstein and others argue that policymakers should be more conscious in the way default options are chosen, there is a particularly strong burden to prove the effectiveness of programs that vulnerable individuals are defaulted into.

There is a need, therefore, for evaluations of social programs that identify causality. Banerjee and Duflo (2011) make the point that in development policy, the main reason why policies fail is often not because of some grand conspiracy or intractable incompetence on the part of policymakers and bureaucrats. Rather, it is because careful attention is not paid to the detailed design of policy. The same can be said for social policy. Governments often get the big picture more or less right – improve early childhood education, reduce infant mortality/morbidity, ensure people have access to a job. It is the small picture that is often found wanting. For example, should governments invest in an extra high school teacher or instead provide laptops for every student in a school? Fortunately, the answer to such small-scale questions can be effectively evaluated through carefully designed randomised controlled trials (RCTs) of the type the authors make extensive use of. Or, according to Banerjee and Duflo (2011: 272):

If we resist the kind of lazy, formulaic thinking that reduces every problem to the same set of general principles; if we listen to poor people themselves and force ourselves to understand the logic of their choices; if we accept the possibility of error and subject every idea, including the most apparently commonsensical ones, to rigorous empirical testing, then we will be better able not only to construct a toolbox of effective policies but also to better understand why the poor live the way they do.

Not all policy questions can be answered with RCTs. In many cases, withdrawing or withholding treatment is not feasible. There are also scalability and spill-over effects that lead to uncertainty around whether the results found in the trial will be replicated for the total population. There are long lead times from when the trial is conceived to when policy conclusions can be made and RCTs are not really useful for testing the effect of national level policies and interventions.
A final limitation from a methodological point of view is that although RCTs can tell us much about the effect of policies and programs on outcomes or behaviour. They tell us very little about why people make the choices that they do. They focus on the quantitative over the qualitative. There is a need, therefore, for mixed-methods approaches to understand complexity. As part of such an approach, qualitative research can identify effects (both positive and negative) that weren’t predicted a priori and can identify the process, not just the outcomes from an intervention. Furthermore, some subjects are too small or geographically dispersed to get a large enough sample from and qualitative techniques can be better suited to subjects with relatively low literacy levels.

Rao and Woolcock (2003) identify three main types of mixed methods evaluations. There are quasi-mixed methods where one method is used but literature from other approaches is integrated (for example culturally informed quantitative research or empirically informed qualitative research) and parallel mixed methods where qualitative and quantitative research are done separately with results compared at the end. A more detailed approach is sequential or iterative mixed methods. Under this approach, there is an interaction between qualitative and quantitative research or researchers throughout. For example an evaluation might use qualitative research to obtain an understanding of the issues; construct hypotheses and a survey instrument that integrates this understanding; and test using survey data.

Many of our behavioural insights have come from the laboratory. This is an important source of information as it allows the researcher to control the environment and vary one aspect at a time. A limitation though, is that much of this research is carried out on a very narrow and atypical segment of the population – undergraduates at elite universities, predominantly in North America. The insights from these experiments, while important, need to be tested and verified in more diverse settings with populations who are more representative of the targets of many of our social policies. There is a need, therefore, for experimental techniques that model behaviour in social policy relevant settings.

The features of human behaviour and choices discussed in this paper have been shown to hold across a range of settings. They appear to be, at least to a certain extent, universal aspects of human psychology. They are, however, expressed differently in different cultural, legislative and financial environments. For example, Henrich et al. (2001) ran an experiment using the ultimatum game in eighteen small societies and settings in eleven developing countries (Bolivia, Chile, Ecuador, Kenya, Indonesia, Mongolia, Papua New Guinea, Paraguay, Peru, Tanzania and Zimbabwe). They find that ‘While mean offers in industrial societies are typically close to 44 per cent, the mean offers in our sample range from 26 per cent to 58 per cent’ (Henrich et al. 2001: 74). That is, members of some societies offer values that are relatively close to that ascribed to Homo Economicus whereas others offer values that are much higher. While all societies offer (on average) values that indicate societal preferences for fairness, variation in the specifics found in Henrich et al. (2011) may also be replicated within countries and have implications for the design and political acceptance of various social policies.

One of the reasons why an understanding of attitudes to fairness is important is because perceived unfairness can change the motivation to interact with others. Interaction with others can in turn affect the development of social norms, not just in terms of fairness but also attitudes to work, study, risk and a range of other social policy relevant behaviours. A behaviourally informed social policy can therefore be enhanced by social network analysis that focuses on how people interact (Knoke and Yang 2008).

---

1 In the ultimatum game an individual is directed to offer a split of a certain amount of money to a second individual. The latter is able to accept that split or reject it, in which case neither participant receives anything. Standard economic theory would suggest that the second player or responder will accept any non-zero offer. Knowing this, the first player or proposer will offer a negligible amount. This is not, however, what is observed in practice, even if the two participants are able to remain anonymous. Rather, proposers often make very generous offers and responders also often reject offers that are positive but deemed to be unfair. According to Mullainathan (2007: 107), the results from such ultimatum games demonstrate that ‘people care about others and are willing to give up resources to help others, and people react negatively to perceived unfair behavior and are willing to give up resources to punish it’ (italics in original).
Although increasing research attention is given to interactions that occur through social media, social network analysis also shows that much interaction still occurs within localised geographies. Schools, workplaces and other venues of social interaction are all spatially located. Furthermore, social policy and the availability of services also varies quite considerably across and within cities. We therefore need robust spatial analysis to reflect the lived geography of the recipients and targets of social policy (Fortheringham and Rogerson 2013).

In order to apply these methods, we need new data or the innovative use of existing datasets. Chief amongst this is the greater availability of administrative datasets, not just at the aggregate level, but also at the unit record level. As computing power and the ability to store data continues to increase, governments and other service providers are willing and able to retain a much greater range of data generated by the day-to-day running of government programs. Data has always been collected on whether or not an enrolled child is attending a school on a particular day, when someone sees their local GP, when they access welfare payments, and so on. What has changed, however, is the ability to store and analyse that data, as well as the consistency with which certain information is collected.

Administrative data can be used to identify how many people are using a particular service at a particular point in time, how this might be changing through time and the characteristics of those who are using the service. If a suitable denominator is available, then these numbers can also be turned into rates with comparisons made across populations. If we combine this information with variation in potential predictors of behaviour (like form type, default options, etc.) then the resulting analysis can contribute to a behaviourally informed social policy environment.

Administrative data, when linked with other information, can also be used to identify the outcomes of those who use a particular service. In some cases, the outcome is reasonably straightforward to measure – especially if the main aim is for someone to get off the particular service. In other cases, the outcome of the service needs to be linked with other data held by that agency or another agency. For example, linking school attendance data to school completion data and program data can tell us a lot about the effectiveness of particular school programs.

Administrative data held by government is not the only data type that is exploding in quantity and quality. Private firms like Google, Facebook, telecommunications companies and many others are increasingly using their own internal data and data of others to help their own business processes. However, this ‘big data’ can also be used to design a behaviourally informed social policy. As with administrative data held by government though, privacy and confidentiality concerns are important to keep in mind.

The outcomes available on administrative data and other ‘big data’ do not always capture the broader notions of wellbeing that policy is ultimately aiming to improve. This is why good quality survey data will continue to be needed. This includes longitudinal databases for a broader set of cohorts and populations than is currently available as well as linked cross-sectional databases. Some of the mixed methods approaches discussed earlier will require the collection of qualitative data which, like quantitative data, needs to be archived and stored for others to be able to use and validate (whilst recognising confidentiality issues).

Nudges, or conscious choice architectures, are designed to steer people towards their own preferred outcome (for example, increased retirement savings) or those outcomes that have a net positive good with small or no costs to the individual (for example, increased organ donation). While these preferred outcomes are sometimes easy to identify, a discussed earlier, there is considerable heterogeneity across individuals and groups and this needs to be recognised in the choice architecture. To do so requires detailed information on social and economic preferences and therefore attitudinal data that asks difficult questions in robust ways.
Conclusions – Towards a behaviourally informed social policy in Australia

The behavioural sciences have tended to take a positivist, rather than a normative approach to public policy. Recommendations have tended to focus on ways in which government and other choice architects can better support individuals to satisfy their own preferences. In the words of Cass Sunstein (2014: 63) in his recent book *Why Nudge*, behavioural scientists ‘have not sought to revisit people’s ends, and their findings do not support ends paternalism. They have generally emphasized human errors with respect to means.’ Sometimes these ends are complicated (for example autonomy) with uncertainty as to how to achieve those ends or how to measure them. However, with transparency and rigorous use of appropriate methodologies, behaviourally informed policy is at least as likely to meet those ends as the alternative.

There are many biases that stop us achieving our preferences. We worry more about losing something than gaining something else of equal value, we value the present much, much more than any time in the future, we often don’t go for the best option, but the good enough option or the option at the top of a list and we make decisions based on how the world appears, not how it is. Finally, uncertainty and stress make it harder, not easier, for us to plan. Many of these biases can be ameliorated by nudges or what I have labelled conscious choice architecture.

There are, however, other behavioural insights that have less obvious policy responses. Some that were discussed earlier in the paper include the large research on happiness and subjective wellbeing (money buys happiness, but it gets more expensive) a preference for fairness (we care about how much others have, not just how much we have) and a tendency towards implicit prejudice both towards others or internally. Perhaps the most important behavioural insights for social policy relate to identity, stereotype threat, social interaction and social norms. Ultimately, we care about how we see ourselves and how others see us.

These behavioural insights raise a number of social policy relevant questions that include, but go beyond, choice architecture. Remembering the definition I gave of social policy at the start of this paper (programs and payments whose main aim is to reduce disadvantage and narrow divergence in opportunity), we must ask how do cognitive biases and social norms exaggerate social disadvantage? To answer this question, we must consider to what extent addictive/habitual behaviours impact on individual and family outcomes, how the structure of our tax and transfer system exacerbates or potentially overcomes these biases, and how, when we are considering access to social programs, we might best balance incentives and complexity.

Those engaged in social policy have the potential to impact on the most vulnerable within society. However, to quote Matthew Yglesias in his summary of Mullainathan and Shafir (2013a) ‘Bad Decisions Don’t Make You Poor. Being Poor Makes for Bad Decisions.’ What this means is that as researchers and policymakers we should not assume that we are immune from the insights from the behavioural sciences. The burgeoning field of ‘behavioural public choice theory’ (Sunstein 2014) makes us ask within the social policy domain how do the cognitive biases and norms within government impact on service delivery?

There have been many innovations in social policy in Australia. For example, income contingent loans have allowed a massive expansion of university participation in Australia with a much more even balance of equity and sustainability than would otherwise be the case. While not framed around behavioural insights explicitly, this and many other policies have factored in things like present bias and social norms. However, the emerging research is adding to our behavioural understanding at a rapid rate and showing that previously held assumptions do not necessarily hold. It is beholden on the research community in Australia to add to this research, distil and adapt it to the Australian context. It is also beholden on the Australian policy community to incorporate this research into a behaviourally informed social policy.
References


