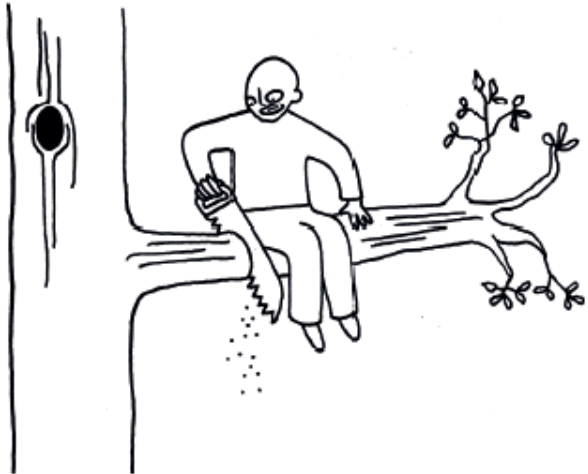


Using behavioural insights to improve regulatory outcomes

1 HUMAN BEHAVIOUR CAN BE A MYSTERY



James Drummond, Policy Analyst, Regulatory Policy Division, Public Governance Directorate

16 November 2021

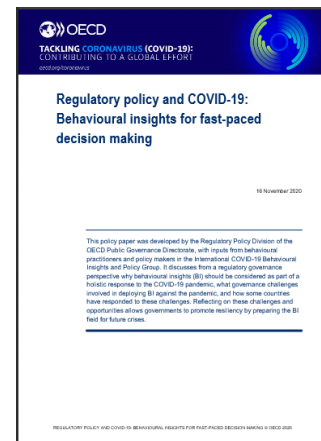
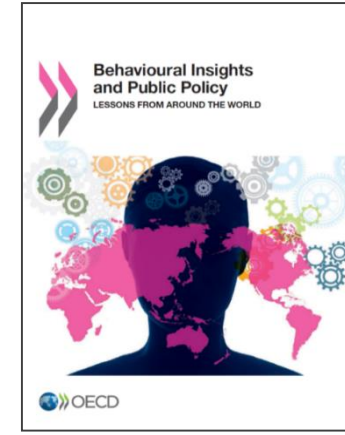
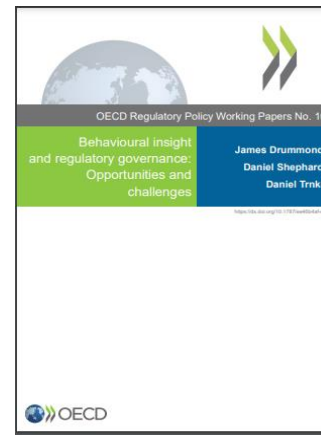
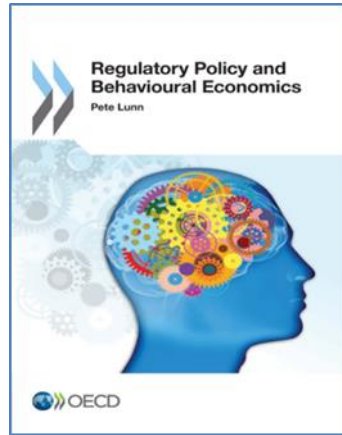




Extensive work on BI in regulatory policy through the RPC and NER developed since 2013

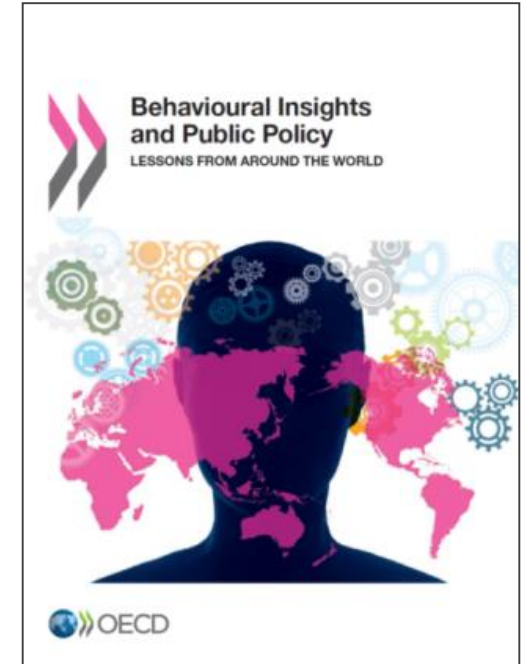
Regulatory policy

Tools & support





- **Lessons derived from the behavioural and social sciences**, including decision making, psychology, cognitive science, neuroscience, organisational and group behaviour, which are being **applied by public bodies with the aim of making public policies work better**
- Often involves the **use of experiment and observation to identify patterns of behaviour** and use these findings to inform policies and regulation
- It is about **inductive approach** to policy-making





Changing our mindset: Can “they” be trusted?

HM Revenues and Customs (UK Tax Authority, 2009) conducted research into non-compliance behaviour.

They found:

- ✓ 58% were willing conformists
- ✓ 18% needed help to conform
- ✓ 12% were reluctant conformists;
- ✓ 8% of their regulated subjects were unaware; and,
- ✓ 4% were “dodgers”;

OECD REFORM OF REGULATORY ENFORCEMENT AND INSPECTIONS IN OECD COUNTRIES, J. Monk (2012).



Many ways to improve the design and implementation of regulations

Simplification of information

Simplifying or reducing the number of options promotes better decision making

i.e. Simplified contracts and bills

Defaults and Convenience

Choosing or preventing a default choice can impact decision making

i.e. Auto-enrolment pension, pre-ticked insurance with airline tickets

Salience and Attention

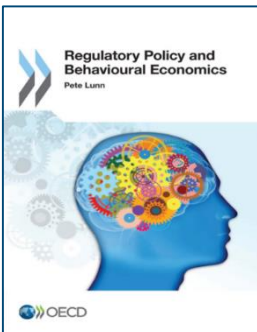
Drawing attention to certain information or options impacts decision making

i.e. Making salient the tax on an item, displaying usage information on a bill

Debiasing and Decision Quality

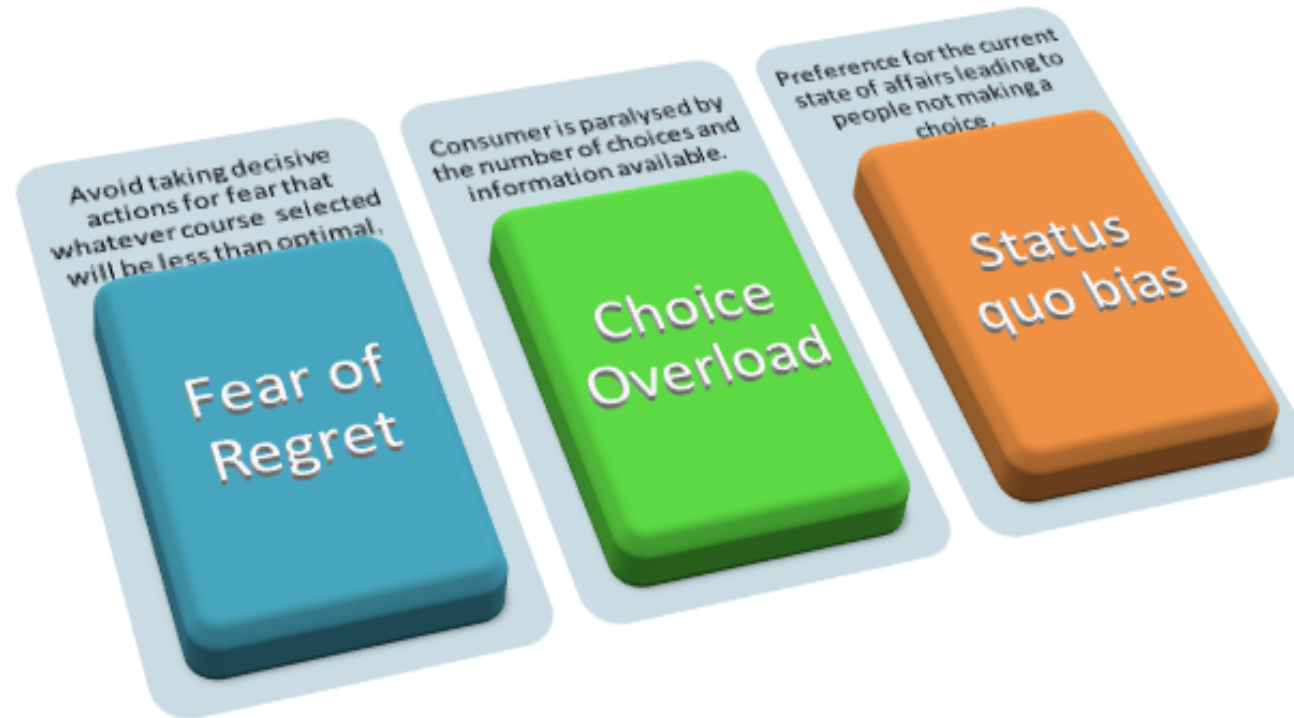
Designing regulations to counteract known biases in people

i.e. inability to make non-linear calculations, such as compound interest or miles/gallon



Lunn, P. (2014), *Regulatory Policy and Behavioural Economics*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264207851-en>.

Too much information reduced cognitive ability to make good decisions by 10-20%



Best information:

- Right *details* (key information to make decision)
- Right *time* (point of decision)
- Right *format* (easy to read/understand)

Example: Ban on pre-ticked boxes

- ★ Cancellation covered \$5,000.
- ★ Baggage covered \$5,000.
- ★ Special Events Missed Connection covered \$750.

\$10.95
per person
Infants covered for FREE



Add insurance now



Yes, I agree to purchase the cover.

Yes, I agree to purchase the cover. I also confirm I have read, considered and accept the **Combined Product Disclosure Statement, Policy Wording Financial Services Guide** and noted the **exclusions and limitations**. I confirm I am authorised to purchase Travel Insurance on behalf of the persons specified in this application.

No, I don't want insurance.



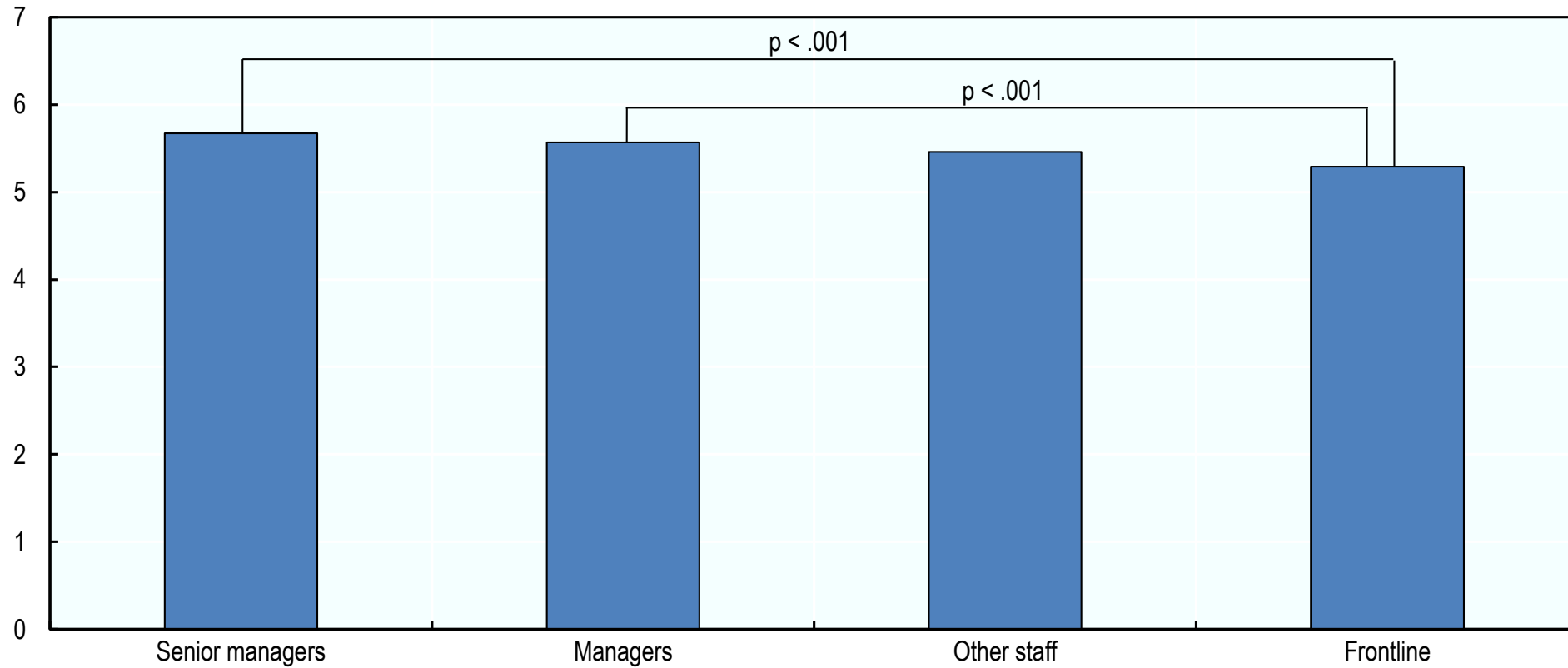
IMPORTANT - The option for Travel insurance has been pre-selected for you. If you do not want to purchase this insurance, you must select 'No I don't want this insurance'.



Understand that not everyone sees the problem the same way

Perception of safety in regulated entities in Canada, Ireland, Mexico and Oman

Level of agreement (1: strongly disagree; 7: strongly agree)





Standard non-conformity notice for Registered Gas Installers in Ireland

Dear Registered Gas Installer

The attached copy of the Inspection and Audit form is your indication that The Register of Gas Installers of Ireland have carried out an Inspection/Audit, for compliance with the Irish Standard for Domestic Gas Installations (I.S.813) at the address indicated on this form.

The defects found are listed and coded on the Installer Evaluation (G22) part of this form. You must rectify these defects within twenty-four hours for Code Red Defects (R), three working days for Code Orange (O) and twenty-one working days for Code Lemon Defects (L) as per the rules (16:1) of registration. These defects are held on file against your registration number.

After rectifying the defects listed, you must tick the "yes" box in the Installer Evaluation (G22) part of the form and sign and date it as a confirmation that all defects have been rectified. This form is then to be returned to RGII. Please note that this installation may be selected for a re-inspection.

Failure to comply with this requirement may lead to disciplinary action in accordance with section D of the criteria document and the rules of registration (16:2).

Should you have any queries regarding this matter or the defects listed, please contact your RGII inspector.

Thank you for your anticipated co-operation.

Kind Regards



Make the right thing to do obvious

Behaviourally-informed non-conformity notice



NON-CONFORMANCE NOTICE

Dear **James Joyce**,

The attached copy of the Inspection and Audit form is your indication that The Register of Gas Installers of Ireland have carried out an Inspection/Audit, for compliance with the Irish Standard for Domestic Gas Installations (I.S.813) at the address indicated on this form.

The defects found are listed and coded on the Installer Evaluation (G22) part of this form. You must rectify these defects within **24 HOURS** for Code Red Defects (R), **THREE WORKING DAYS** for Code Amber (O) and **21 WORKING DAYS** for Code Lemon Defects (L) as per the rules (16:1) of registration. These defects are held on file against your registration number. **Use the table below to plan when you will resolve each of the non-conformances.**

Rule #	Breaches Found / Comments	I will rectify / have rectified on (date)			

After rectifying the defects listed, you must tick the "yes" box in the Installer Evaluation (G22) part of the form and sign and date it as a confirmation that all defects have been rectified. **Then you must submit this form** to RGII by email or post.

SUBMIT BY ▶

 **Email:** email@email.com

 **Post:** Unit 9, KCR Industrial Estate, Kimmage, Dublin 12

Failure to comply with this requirement may lead to disciplinary action in accordance with section D of the criteria document and the rules of registration (16.2). **Please note that this installation may be selected for re-inspection.**

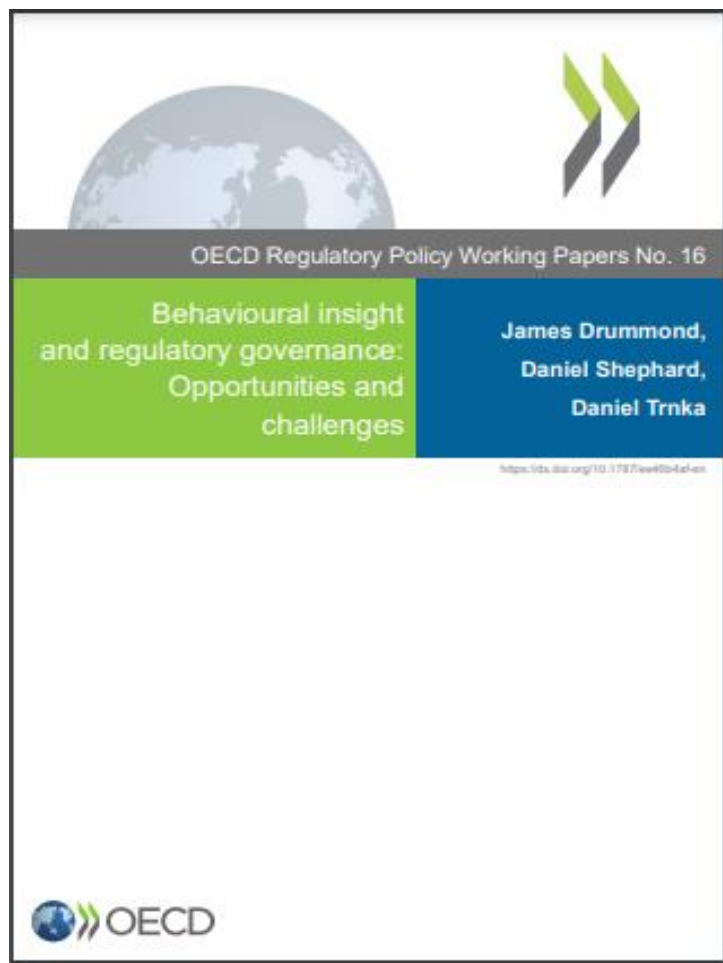
Should you have any queries regarding this matter or the defects listed, please contact your RGII inspector: **<<INSPECTOR_NAME>>** at **<<INSPECTOR_EMAIL>>** OR **<<INSPECTOR_PHONE#>>**. Thank you for your anticipated co-operation.

Kind regards,

- Registered gas installers (RGIs) in firms were also more likely (+13 pp) to expect timely resolutions of non-conformances when they were presented with notices that used both *personalisation* and *implementation intentions*...
- ...but individuals working alone as RGIs expected worse resolution rates with *personalised* notifications (-14 ppt.).



Recognise and address the biases and barriers within ourselves



oe.cd/il/BI-REGGOV

- Core premise: Government is created and run by humans, who experience the same biases and barriers as anyone else. We need to discover ways to apply BI to the institutions, tools and processes of regulatory policy making.
- Example: Transparency. While the importance is strongly established, higher levels of scrutiny can amplify biases such as anti-public sector biases, as well as loss and risk aversion.
 - > Potential solutions:
 - Adjust the timing of transparency to earlier in the process where loss and risk aversion is lower, and willingness to adopt different approaches is higher
 - Consider structural solutions that prevent biases from causing inaction, such as automatically triggering *ex post* reviews
- Ideas need to be investigated and tested further!



- **Choose the right tool for the job:** BI provides a number of ways to help regulators improve outcomes, especially related to how to provide information and improve transparency
- **Location matters:** Need to test solutions in your own setting to determine what works, and what doesn't
- **BI is not a silver bullet:** BI helps improve the effectiveness of regulation but needs to be used as part of holistic approach

Thank you!

oe.cd/nudge

James.Drummond@oecd.org

