

Nudging NZ:

The use of behavioural insights in effective regulation



RU #Human

or #Econ?

[RISK AVERSE]

Get NZD 9,500 with certainty
or
95% chance to win NZD 10,000

[RISK SEEKING]

Lose NZD 9,500 with certainty,
or
95% chance to lose NZD 10,000

[RISK SEEKING]

Get NZD 500 with certainty
or
5% chance to win NZD 10,000

[RISK AVERSE]

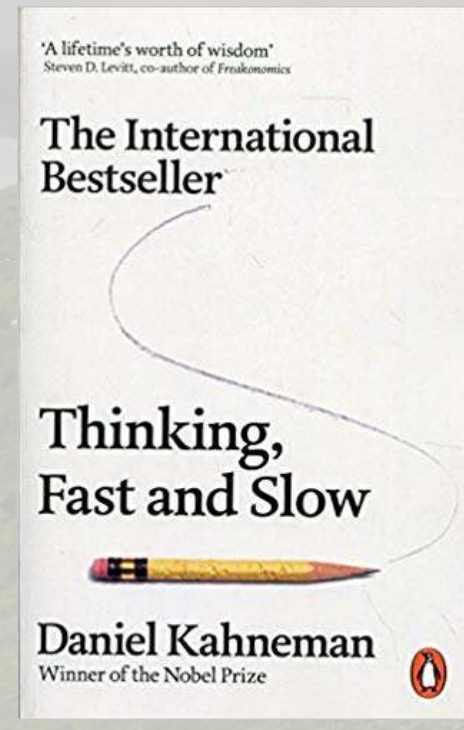
Lose NZD 500 with certainty
or
5% chance to lose NZD 10,000

RU #Human

or #Econ?

Humans

- Tend to overweight large probabilities and underweight small probabilities
- Are loss averse
- Have 'present bias'
- Set a reference point ('anchoring heuristic') from which they assess perceived gains and losses ('expected utility')



RU #Human

or #Econ?

Anchoring



Was NZD 6,599 now NZD 5,999

RU #Human

or #Econ?

Utility



Relative
to what?

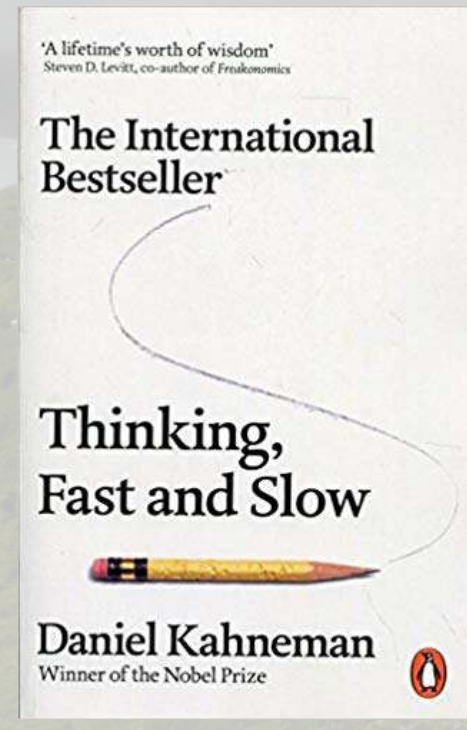
- Expected
- Experienced
- Remembered

RU #Human

or #Econ?

Humans

- Tend to overweight large probabilities and underweight small probabilities
- Are loss averse
- Have 'present bias'
- Set a reference point ('anchoring') from which they assess perceived gains and losses ('expected utility')
- Become less sensitive to changes in probability as they move away from a reference point ('diminishing sensitivities')



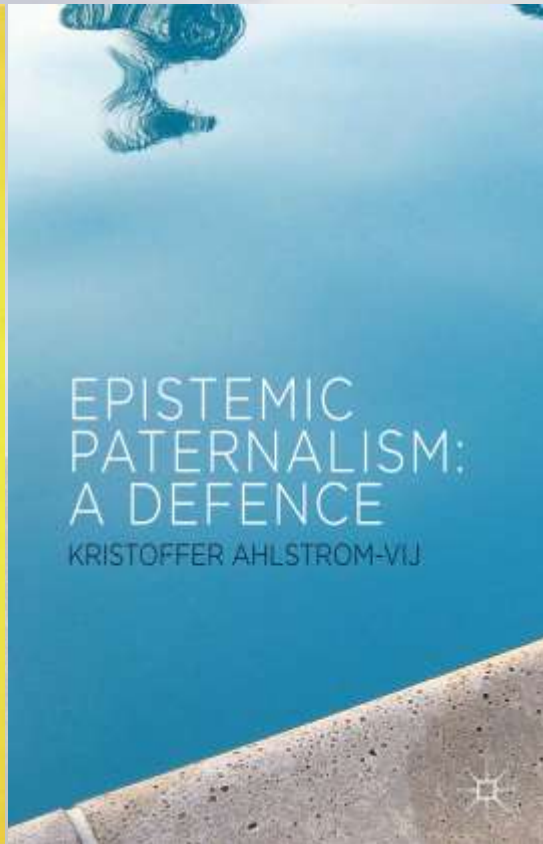
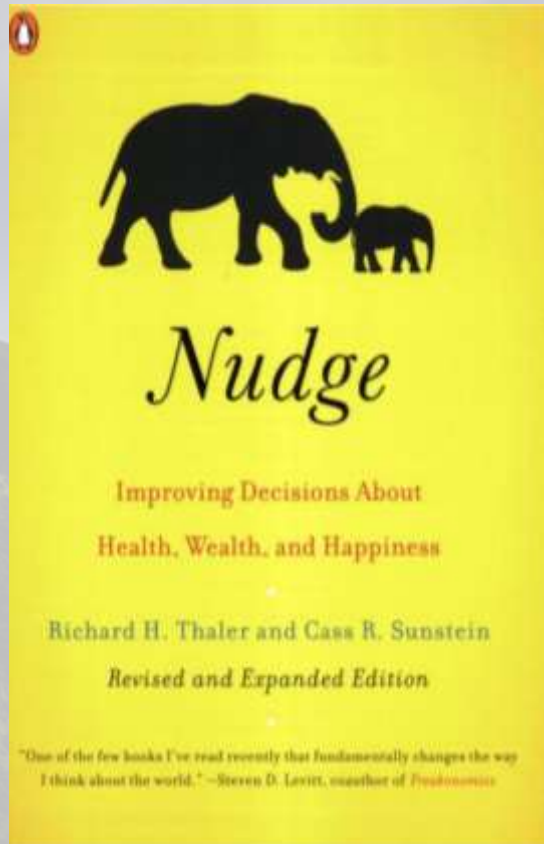
RU #Human

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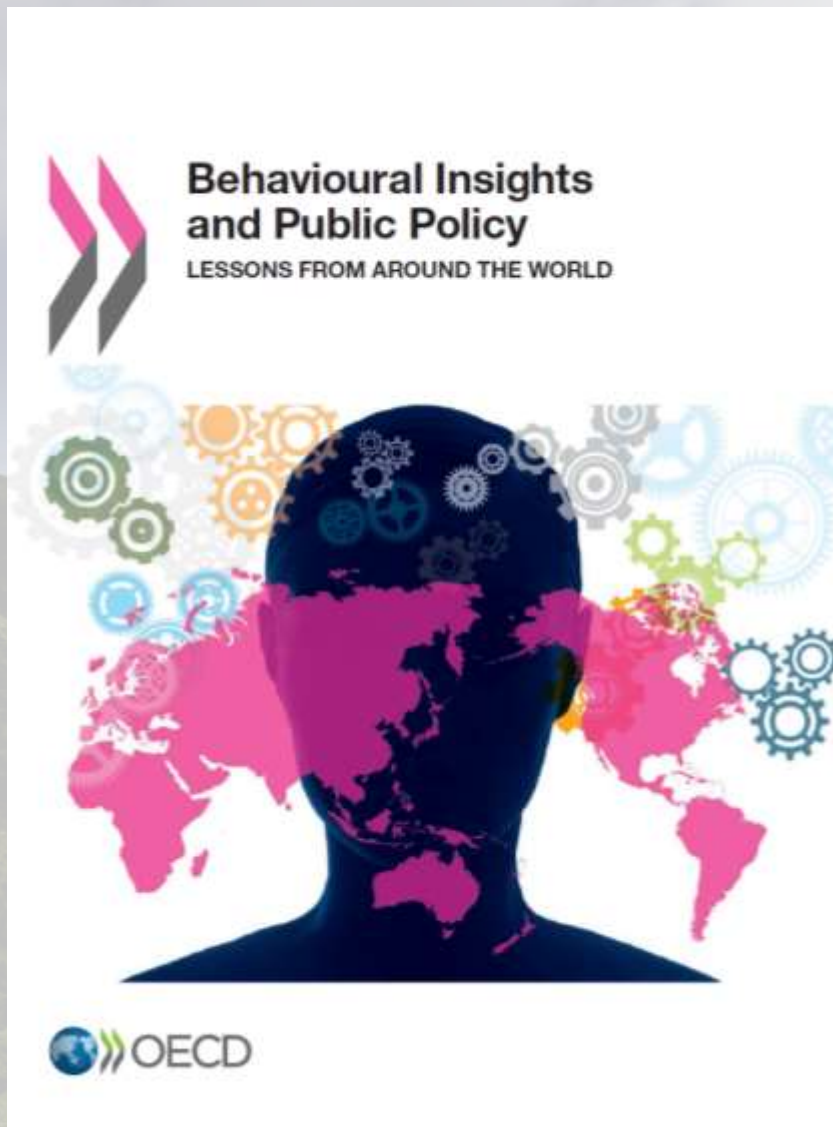
RU #Human

or #Econ?



From
theory

to practice

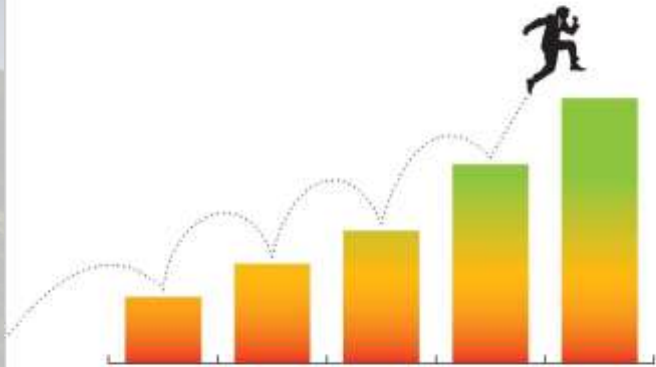


- Change defaults
- Social proof heuristics
- Warnings (graphic or otherwise)
- Disclosure of comparative information
- Increase ease and convenience of desired behavior
- Active choosing
- Precommitment strategies
- Increase information salience

From theory

to practice

SAVE MORE TOMORROW



PRACTICAL BEHAVIORAL FINANCE
SOLUTIONS TO IMPROVE 401(K) PLANS

SHLOMO BENARTZI
WITH ROGER LEWIN

- Change defaults
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From theory

to practice

From theory

to practice



- Change defaults
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Office of
Evaluation
Sciences



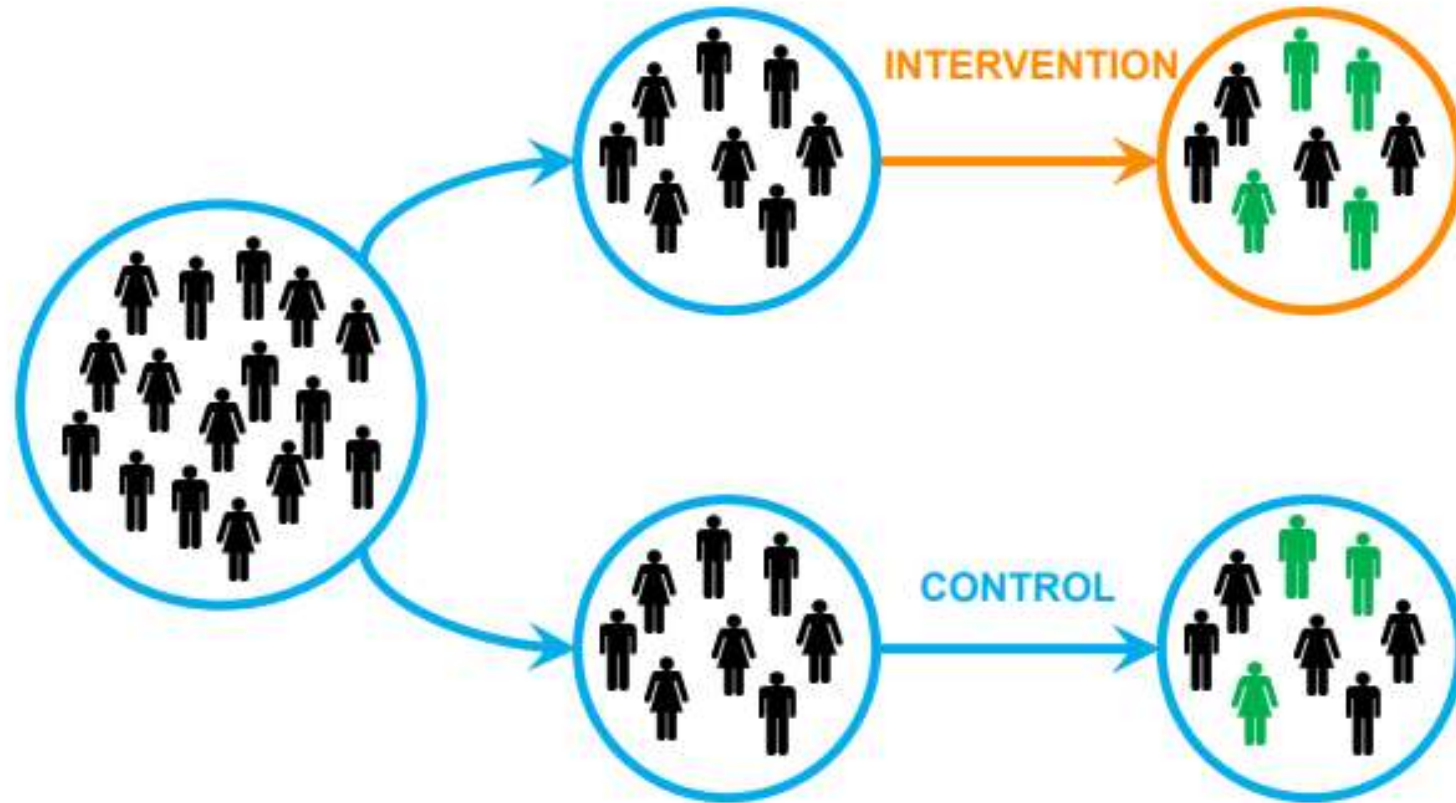
Global
academia

- Often it does
- Let's then carry out more randomised control trials (RCTs)
- Sometimes it does, but challenges across the board
- Often too small cohorts
- Often lab tests only
- Never tested in comparison with other interventions

But...

**does it
work?**

Randomized control trials



But...

**does it
work?**

Randomized control trials

Office of State Revenue
State Debt Recovery

Enforcement Order

Issue Date: 28 Feb 2013
Enforcement Order No.: 319166848
Amount due: \$462.00
Date due: 29 Mar 2013

Why have you been sent this enforcement order?
You have been sent this enforcement order because you have not paid a penalty notice or the subsequent penalty reminder notice by its due date. See below for details of what this enforcement order is about. Please note: Do not ignore this enforcement order. Read the information in the enforcement order carefully concerning your options. If you do not pay or take up one of the options detailed over the page by the due date, it will cost you more.

Details of the penalty or fine in this order:
Penalty notice no.: 7112051825
Description of the offence: PROCEED THROUGH RED TRAFFIC ARROW - CAMERA DETECTED - INDIVIDUAL
Location: Playstar Road Que Wily
Date of the offence: 27 October 2012
Time of the offence: 12:29
Direction of travel: South
Penalty amount enforced: \$387.00

How to pay
Important: See over the page for more information.
Online: www.sdrs.nsw.gov.au to pay by Mastercard or Visa.
Phone: Call 1300 130 112 to pay by Mastercard or Visa.
Bank: Credit Easier Code 186788 and your Reference No. 319 1668 488 to pay using your cheque or savings account. Access BPAY via your financial institution's website or phone banking service. For more information visit www.bpay.com.au
Post: Post a cheque or money order made payable to the State Debt Recovery Office, Locked Bag 2128 North Sydney NSW 2059. Please write the Enforcement Order Number on the reverse of the cheque or money order.
POSTalpay: Take this to Australia Post and pay by cash, cheque or BPAY.

Payment Reference No.: 319 1668 488
Amount due: \$462.00
Date due: 29 Mar 2013

Office of State Revenue
State Debt Recovery

Unpaid Fine

Reference Number: 123456789
You owe: \$999.00
You must pay by: 29 MAY 2012
Payment Reference Number: 123456789
To pay now, call: 1300 130 112

PAY NOW

Pay your fine now or lose your licence, possessions or money from your bank account.
You have not paid your fine set by the court or responded to previous notices to pay your fine. This has already cost you up to \$65 on top of your fine.
Pay now to avoid further actions, which we can now take without further notice, including:
• cancelling or suspending your driver licence or your vehicle registration and you will incur additional costs of at least \$40
• authorising seizure of your goods or property
• deducting money from your bank account or wages
• charging any land or property partly owned by you
Each of these measures will cost you at least an additional \$85.
This is your notice under Section 58 of the Fines Act that an enforcement order has been made for an unpaid fine.

Details of the fine which you have not paid:
Court of issue: WYONG LOCAL COURT
Date fine imposed: 16 April 2012
Description of the offence: FAIL TO APPEAR
Location: WYONG NSW 2259
Date of the offence: 02 November 2011
Amount of original penalty: \$555.00
Additional fines in this order are listed on subsequent pages.

How to pay
Online: Visit www.sdrs.nsw.gov.au to pay by Mastercard or Visa.
Phone: Call 1300 130 112 to pay by Mastercard or Visa.
Bank: Credit Easier Code 186788 and your Payment Reference Number 123456789 to pay by cheque or savings account. Access BPAY via your financial institution's website or phone banking service. For more information visit www.bpay.com.au

Payment Reference No.: 319 1668 488
Amount due: \$462.00
Date due: 29 Mar 2013

But...

does it work?

53.5% vs. 60.4%

- Behavioural regulation has promise



Take home

lessons



- Behavioural regulation has promise
- It may work particularly well if
 - Clear cognitive failures
 - Homogenous target group
 - Synergy with other interventions

Take home

lessons



- Behavioural regulation has promise
- It may work particularly well if
 - Clear cognitive failures
 - Homogenous target group
 - Synergy with other interventions
- But requires bespoke application

Take home

lessons



Thank you. Questions?

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www.RegulatoryFrontlines.wordpress.com