Behavioral Insights

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Social Protection and Jobs
Core Course
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Behavioral Economics

“Rational man” is the standard theory in classical economics

…..but people are not always rational!

Behavioral science looks at how people make decisions and take actions in the real world – taking into account contexts and mental biases that influence human judgments and decisions
How do context and perspective influence us?
Designing for Humans:
Accounting for Context and Biases

- Mental Models and perceptions
- Bandwidth and scarcity of poverty
- Myopia and future proofing
- Norms and conformity
What does this mean for Social Protection and Jobs?
Nudging for Retirement in the US

- Companies were urged to set aside a portion of workers’ earnings toward pensions as the “opt in” default
- Workers were still given the option to “opt out”

→ Pension plan participation rates by US workers more than doubled between 2006 and 2014, from 42% to 91%! 
Supporting Youth Employment in South Africa

Youth Journey to Employment

- Psychometric Profiling (games and self assessments)
- Job Readiness Training
- Algorithmic Internship Matching
- Frequent check-ins with candidates and employers (performance, satisfaction)
- Feedback on Strengths
- Socio-emotional skill development (Growth Mindset, Grit, Aspiration)
- Placement
- Graduation from Internship and Training for transition to Labour Market

Unemployed youth provided YES phone

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Using Cash Transfers to Support Beneficiaries’ Intentions in Madagascar

**Focus on delivering cash**
- How can we get more cash into the poor’s hands?
- How can we make sure the cash reaches the right people?
- How can we minimize leakage/inefficiency?

**Focus on people’s decisions**
- How can we help people spend the cash the way they want to?
- How can we empower beneficiaries to make careful decisions?
- How can we reduce the mental burdens of poverty and unlock hidden potential?

Photo: Jiyoung Han, ideas42
What might get between beneficiaries and their spending goals?

Want this…

But can’t routinely afford this…

Goals but no clear path: I want my children to go school and I want to save some money to start a small business. What steps would it take? Could I do these things?

(intention vs. action)

Feeling of powerlessness: Why should I work towards long-term goals if I can’t even afford the basic items I need to get there?

(locus of control, self-efficacy)
Helping beneficiaries make and execute realistic plans

**Self-affirmation**
Affirming values and identities can both clarify objectives and strengthen the power to act

**Plan-making**
Assessing risk and identifying concrete action steps improves the likelihood of follow-through
Conclusions on Behavioral Design

• Not a panacea but can help improve existing programs and policies

• Engage early -- building in these elements at the design stage is best!

• Focus on diagnosing context and behavior

• Behavioral designs can have a high impact at a low cost

• Tips: Look at human’s experience with programs; tap into the potential of groups and norms; prime good choices!