The Contribution of the UK’s Behavioural Insights Team

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ABSTRACT

The purpose of this paper is to review and evaluate the work of the UK Behavioural Insights Team (BIT) in the light of the growing literature on behavioural economics. The Team was established in 2010 in the Cabinet Office at the centre of government in the UK. The BIT was specifically set up with the aim of helping the government develop and apply lessons from behavioural economics and behavioural science to public policy. A direct link with the behavioural literature took place when the book Nudge by Richard Thaler and Cass Sunstein (2008) became ‘required reading’ on a 2008 summer reading list for Conservative Members of Parliament since their views are seemingly consistent with the Conservative Party’s tax and welfare policies. For this reason the Behavioural Insights Team is often known as the ‘Nudge Unit’. At the time of writing (May 2014) it has been announced that the unit will be moved outside government to continue its work, though government (and others) can continue to use its services. This paper analyses a series of reports published by the BIT and concludes that those on health policy, organ donation and charitable giving used behavioural insights to a considerable extent while two of the reports on financial aspects did so to a lesser extent and another one on financial matters hardly at all. It is suggested that some areas may have more potential than others for the application of behavioural insights but that such potential also exists with respect to financial behaviour.

Keywords: Behavioural Insights Team, Consumer Decisions, Decision-Making, Nudging, United Kingdom (UK)

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1. INTRODUCTION

It has been estimated that in the UK behavioural and lifestyle factors are significant contributors in around half of all deaths. These factors including smoking, unhealthy diet, alcohol consumption and inactive lifestyles (Cabinet Office, 2010: 6) and have therefore been subject to government policy aimed at improving decision making.

Perhaps less dramatically, there have also been attempts to influence individuals’ behaviour in other areas. The most substantial recent reform drawing upon behavioural insights in the area of personal finance has been the introduction of the new workplace pension scheme in the UK starting in 2012. In the past, employees had to ‘opt in’ to pension schemes and many individuals did not do so – even though such schemes could be very advantageous. Under the new arrangements, employees are placed in a scheme and have to ‘opt out’ if they do not wish to be. This change of the default position is expected to make a substantial difference to the coverage of pension schemes in the UK. The importance of inertia in consumer behaviour is well known in the financial services sector, for example by the banks in attracting student customers knowing they will probably be reluctant to move their accounts later.

It was this type of approach that led to the setting up of the Behavioural Insights Team (BIT) in July 2010. The aim of was to help the new UK Government develop and apply lessons from behavioural economics and behavioural science to public policy making. This was the result of the Conservative Party’s increasing interest in the approach of behavioural factors and a preference in some contexts for the use of persuasion rather than regulation to influence behaviour. A direct link with the behavioural literature took place when the book Nudge by Thaler and Sunstein (2008) became ‘required reading’ on a 2008 summer reading list for Conservative Members of Parliament. Apparently this was because Thaler and Sunstein argue that sometimes people need a gentle push to do the right thing, a view seemingly consistent with the Conservative Party’s tax and welfare policies. For this reason the Behavioural Insights Team is often known as the ‘nudge unit’. It is charged with increasing understanding of behavioural approaches as well as developing specific policies. Its first projects have included reports on health, organ donation, charitable giving, consumer empowerment, energy use, fraud, error and debt.

This paper assesses the reports of the Behavioural Insights Team mentioned above in the light of the behavioural economics research literature. It begins in the following section by considering economic justifications for intervention in individual decision-making. Section 3 turns to the concept of ‘nudging’ and examines some limitations and arguments relating to the use of this approach. Section 4 gives a brief description of behavioural economics and some prominent behavioural issues and section 5