

SOCIAL PROTECTION AND JOBS

# 2019 CORE COURSES

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## Behavioral Insights

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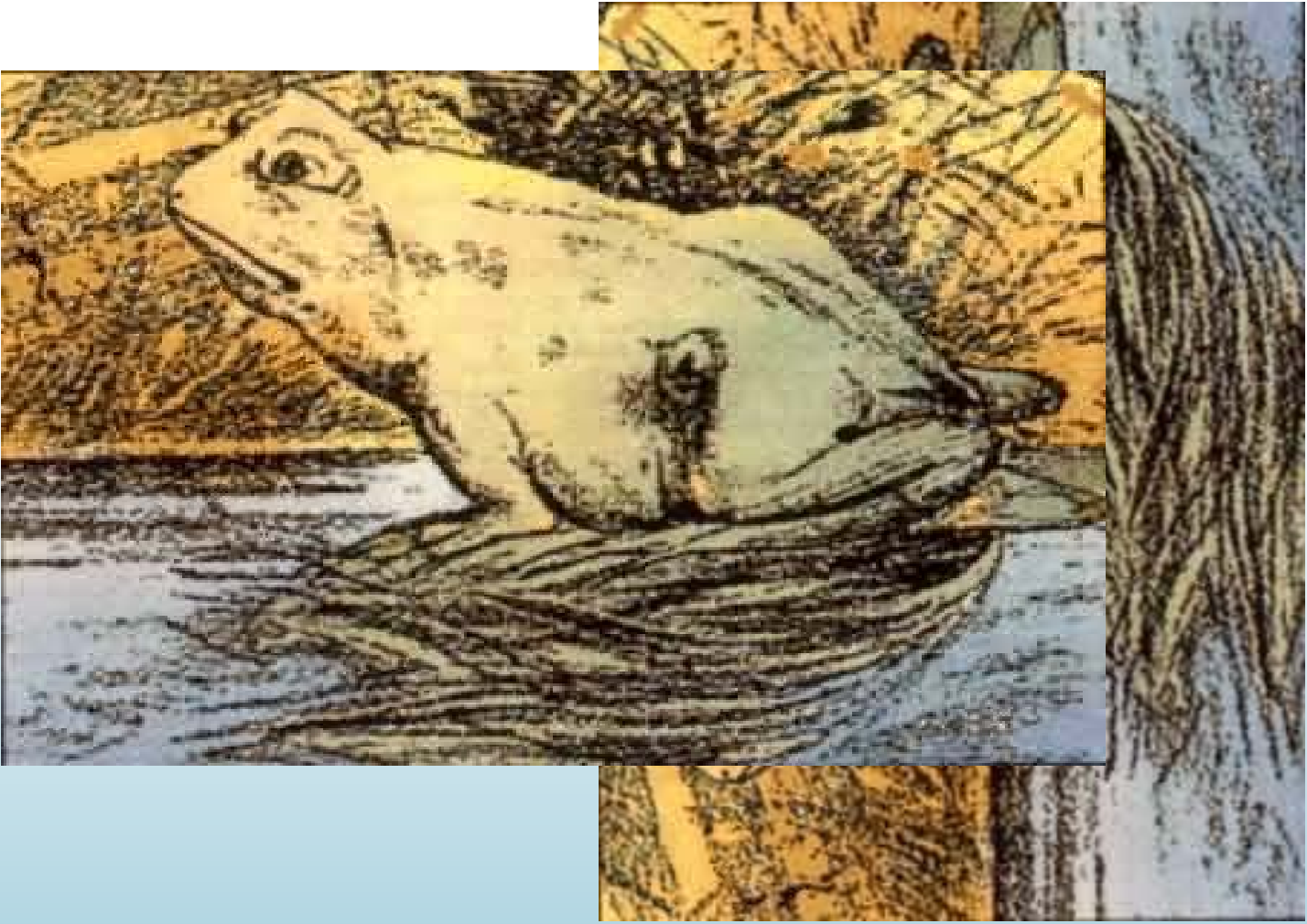
# Behavioral Economics

“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



YES  
4YOUTH  
COZA

## Youth Journey to Employment

eMBeD  
Mind, Behavior, and  
Development Unit



Unemployed youth provided YES phone

27 October 2019

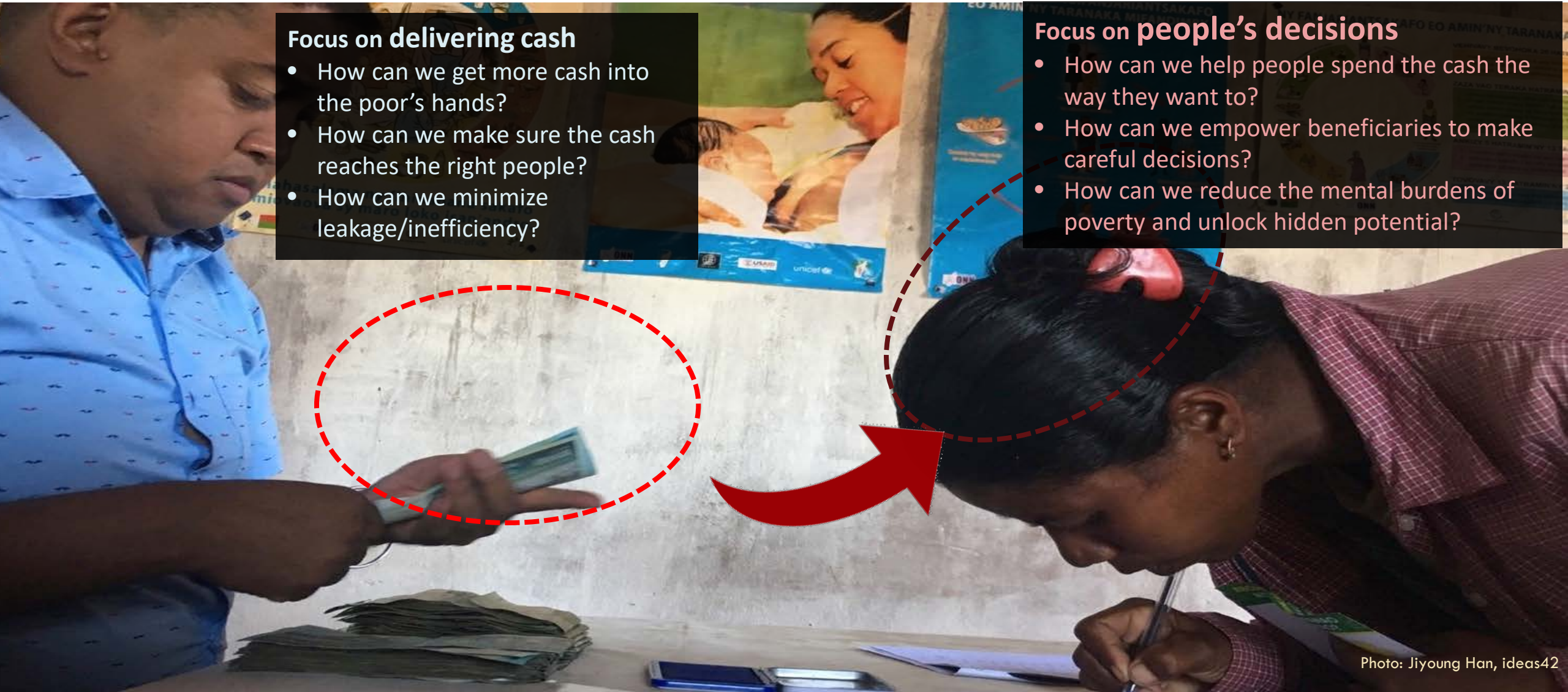
# Using Cash Transfers to Support Beneficiaries' Intentions in Madagascar

## 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?





# What might get between beneficiaries and their spending goals?

Want this...



VS

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!