Behavior Change and Compliance: Influencing the Behavior of Business and Individuals

R. Kent Weaver
Georgetown University & the Brookings Institution
The Starting Point: Most government policies are not “self-implementing”—they require specific behaviors by the public, e.g.:

- Wear motorcycle helmets to reduce traffic deaths
- Vaccinate children
- Send children to school rather than engaging them in work
- Do not engage in illegal land clearing and burning in rainforests
- Consistent recycling to reduce landfill usage
• Pay taxes
• Do not engage in corruption
Compliance by businesses is also critical for achieving many government objectives, e.g.:

- Obeying environmental laws
- Obeying workplace safety and minimum wage laws
• Obeying road safety laws

• Making mandatory social insurance contributions

• Obeying building codes
Compliance defined:

- Behavior that is consistent with government preferences that have been clearly articulated (though perhaps not effectively communicated)
- Whether willing, grudging or coerced (but willing compliance lowers enforcement costs)
Compliance and enforcement regimes are really a spectrum....

<table>
<thead>
<tr>
<th>Intrusiveness and Insistence of Government Compliance and Enforcement Regimes</th>
<th>Examples</th>
<th>“Appropriate” Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>• Do not taking weapons on airplanes&lt;br&gt;• Don’t traffic in narcotics&lt;br&gt;• Pay all taxes owed</td>
<td>“Compliance”</td>
</tr>
<tr>
<td>Moderate</td>
<td>• Obey a voluntary cyclone evacuation order&lt;br&gt;• Non-mandatory recycling&lt;br&gt;• Cease smoking</td>
<td>“Cooperation”</td>
</tr>
<tr>
<td>Low</td>
<td>• Buy fuel efficient vehicles&lt;br&gt;• Feed children healthy diet</td>
<td>“Consistency”</td>
</tr>
</tbody>
</table>
The Big Questions:

1. Why do program “targets” sometimes behave the way that program designers intend and want (compliance) and sometimes fail to do so (non-compliance or “deviance”)?

2. What can government do to change behaviour to achieve its objectives?

For example….
Why do LAC countries have such large informal sectors?

<table>
<thead>
<tr>
<th>Region</th>
<th>Mean</th>
<th>median</th>
<th>min</th>
<th>max</th>
<th>sd</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAP East Asia and Pacific</td>
<td>32.3</td>
<td>32.5</td>
<td>12.7</td>
<td>51.0</td>
<td>13.3</td>
</tr>
<tr>
<td>ECA Europe and Central Asia</td>
<td>38.5</td>
<td>35.8</td>
<td>18.2</td>
<td>66.7</td>
<td>11.0</td>
</tr>
<tr>
<td>LAC Latin America and the Caribbean</td>
<td>41.2</td>
<td>38.7</td>
<td>19.3</td>
<td>66.1</td>
<td>12.3</td>
</tr>
<tr>
<td>MENA Middle East and North Africa</td>
<td>28.0</td>
<td>32.7</td>
<td>18.2</td>
<td>37.2</td>
<td>7.9</td>
</tr>
<tr>
<td>OECD High Income OECD</td>
<td>16.8</td>
<td>16.0</td>
<td>8.7</td>
<td>27.9</td>
<td>5.6</td>
</tr>
<tr>
<td>OHIE Other High Income</td>
<td>22.8</td>
<td>25.0</td>
<td>12.4</td>
<td>33.4</td>
<td>6.7</td>
</tr>
<tr>
<td>SAS South Asia</td>
<td>33.2</td>
<td>35.3</td>
<td>22.2</td>
<td>43.7</td>
<td>6.9</td>
</tr>
<tr>
<td>SSA Sub-Saharan Africa</td>
<td>40.8</td>
<td>40.5</td>
<td>22.6</td>
<td>61.8</td>
<td>7.6</td>
</tr>
<tr>
<td>World</td>
<td>33.1</td>
<td>33.5</td>
<td>8.7</td>
<td>66.7</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Source: Schneider et al, *Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007*
And why is there so much within-region variation in the size of their informal sectors?

Source: Schneider et al, *Shadow Economies All over the World: New Estimates for 162 Countries from 1999 to 2007*
And in their levels of corruption?

CORRUPTION PERCEPTIONS INDEX 2014

Americas

Global Average score 43/100
American Average score 45/100

68% of countries score below 50 out of 100

Score: 0 (Highly corrupt) → 100 (Very clean)

#cpi2014

The 2014 Corruption Perceptions Index measures the perceived levels of public sector corruption in 175 countries/territories around the world. To see the full results go to: www.transparency.org/cpi
Why do many people continue to smoke after exposure to graphic anti-smoking campaigns?
• Why is tax evasion endemic in Argentina, Italy and Greece, but not in Chile?
Sometimes compliance is so high…
…that the initial objective is “overshot”…
...and policies have to be reversed (but with little success)
Sometimes compliance is moderate and "normally distributed"….

Distribution of Speed for Cars on Rural Interstate Highways in Illinois, 1992 (N=16,437,130)

Source: Ronald Clarke, The Distribution of Deviance and Exceeding the Speed Limit, “British Journal of Criminology, 1996, p. 175
…or fairly low and normally distributed largely within a zone of acceptable deviance”

Distribution of Speed for Trucks on Rural Interstate Highways in Illinois, 1992 (N=5,391,885)

Source: Ronald Clarke, The Distribution of Deviance and Exceeding the Speed Limit,” British Journal of Criminology, 1996, p. 176
Governments Want To Know: How Can We Get People to “Behave”
Core Arguments:

1. Understanding behaviour must consider a variety of barriers to change and compliance

2. Target populations do not all respond to policy in the same way. This target heterogeneity is an important contributor to non-compliance

3. Specific barriers to compliance can be addressed through several different strategies
Why Don’t Firms and Individuals Comply with Government Policies?:

Eight Sources of “The Compliance Gap”
Eight sources of the “Compliance gap” (in three groups):

A. Economic Calculus— “Don’t Need to Comply”:
   1. Incentive and sanction problems
   2. Monitoring problems
   3. Enforcement problems

B. Beliefs— “Don’t Want to Comply”:
   4. Information and cognition problems
   5. Attitude and Beliefs problems
   6. Peer effect problems

C. Capacity— “Can’t Comply”:
   7. Resource and access problems
   8. Autonomy problems
1. **Incentive problems**—positive and/or negative incentives may be insufficient to produce compliance.
2. Monitoring problems—High rates of target compliance are unlikely where compliance is difficult or costly to monitor

...like polio vaccinations

...or payment of income tax by street vendors
…or payment of bribes by businesses

…or compliance with labor standards by subcontractors and suppliers in complex supply chains

…especially when front-line workers can gain from selective enforcement
4. Cognition and Information problems—targets may lack information that would make compliance more likely, or fail to process and weigh it accurately.
5. Attitude and objectives problems—

a. Policy targets are hostile toward or mistrust providers, programs or government (e.g., polio vaccination in northern Nigeria)

b. Targets think policy is unfair/unjustly applied

or
c. Policy contradicts deeply held cultural beliefs--e.g., strong desire for sons leading to female infanticide and illegal gender-selective abortion in China and India
6. Peer effect problems: Individuals are unlikely to comply where compliance by others seems low

Examples:
- “No one else pays taxes, why should I?”
- “Everyone else takes and pays bribes, so why shouldn’t I”
- “Everyone else jaywalks, so why shouldn’t I”
7. **Resource problems**—targets may lack resources needed to comply even if they want to.
8. Autonomy problems—targets may want to comply but lack control over their own decisions due to:

- Control by others—e.g. child laborers or trafficked women
- addiction
Special Issues of Business Compliance
What leads businesses to not comply with public policies? Some basic reasons:

- Information and cognition problems: Because it is unclear or confusing how to comply
- Attitudes and beliefs problems
- Peer effect problems: “Other businesses aren’t complying, so why should I?"
- Incentive problems: Costs of compliance exceed the costs
- Monitoring problems: Unlikely to get caught
- Enforcement problems: Able to avoid punishment
- Resource problems: Can’t afford it
- Autonomy problems
But firms also face special issues in complying...
Information:

- Complex and sometimes conflicting regulatory pressures are difficult to manage, especially for small businesses
• While in large firms, intra-firm information flows on requirements and firm actions may be hampered by:
  – Complexity and volume of information
  – Different organizational cultures within the firm
• Cross-border operations raise risks of complex and conflicting requirements
2. Importance of brand reputation:
   – May lead to increased compliance to avoid reputational damage but also
   – May tempt firms to cover up non-compliance
   – Is important largely at the latter stages of supply chain (e.g., Apple versus Foxconn)
Enforcement:

• Significant probability of repeated interactions with government monitor/enforcers may:
  + lead to trust-building and shared norms of behavior
  - lead to corrupt relationships with monitors bribed to “look the other way”
  - Government compliance efforts may be scandal-and-media driven
Peer Effects:

1. May be opportunities for and incentives for **collusion** between firms to maximize profits (in sectors where number of competitors are small)
2. May be opportunities for and incentives for individual firm and inter-firm collective action to alter the compliance and enforcement regimes in ways that benefit them.
And LDC environments can pose special risks for business non-compliance--e.g.:

1. Governments may see low standards and lax enforcement as a competitive advantage
2. Limited state capacity and resources to:
   – Develop rules (compliance regimes)
   – Offer positive incentives and convey information to businesses
   – Monitor compliance and enforce rules
3. Widespread mistrust of government as corrupt and bribable
4. Uneven development of civil society organizations to:
   – Defend worker rights
   – Act as partners in monitoring business compliance
Strategic Options for Changing the Behavior of Businesses and Individuals

Building An Appropriate Toolkit
Strategic Option 1: Employ more coercive instruments:

1. Providing information
2. Framing and admonition
3. Providing resources
4. Manipulating choice architecture
5. Providing positive incentives for compliance
6. Imposing negative incentives for non-compliance
7. Prohibiting/requiring, with penalties for non-compliant behavior
1. Provide information to clarify what behavior is compliant...

...and clear advice on how to achieve compliance
in a simple and timely manner
2. Provide admonitions that specify appropriate behavior which can be framed positively, to emphasize the benefits of compliance...
... or negatively, emphasizing the costs or risks of non-compliance
3. Provide resources to make it easier for targets to comply—e.g.,

- School meals to help low-income children learn better
4. Manipulate choice architecture—the framing, range and ease of options available to the target population
5. Provide positive incentives (rewards for compliance), such as:

- conditional cash transfers to encourage school attendance, especially for girls
6. Or negative incentives (penalties) for engaging in non-compliant behaviours, e.g.:
   • Increase tobacco and petrol taxes to cut usage
7. Establish prohibitions and requirements with penalties attached for non-compliance
But compliance must be enforced if behavior is going to change
Strategic Option 2: Change the settings on the instruments you are already using:

- Increase positive or negative incentives—e.g., increase gasoline taxes
- Use more intrusive monitoring techniques
Strategic Option 3: Identify the most “mission critical” non-compliant behaviors and elements of target populations and focus on them with specific strategies, e.g.,

- HIV prevention by increasing condom use by commercial sex workers (CSWs) and long-distance truck driver clients
• For road safety, focus on young and inexperienced drivers—e.g., through graduated drivers licenses
Concluding Lessons for Policy Designers and Program Implementers

Are there “smarter” ways to change behaviours and obtain better outcomes?
1. Think comprehensively about potential causes of behaviour

- Information and cognition problems
- Attitudes and beliefs problems
- Peer effect problems
- Incentive problems
- Monitoring problems
- Enforcement problems
- Resource problems
- Autonomy problems
and make sure you have the right diagnosis, which may be multi-causal
...as well as appropriate packages of “prescriptions”

✓ Providing information
✓ Admonition
✓ Providing resources
✓ Manipulating choice architecture
✓ Providing positive incentives
✓ Impose negative incentives
✓ Prohibit/require specified behavior

that are targeted effectively
2. Big changes in behaviour are likely to require intrusive measures and “intense” settings—but that sparks lots of opposition
3. Recognize that targets of policy are heterogeneous—they won’t all respond to compliance and enforcement systems in the same way

...so don’t think just about the modal target
...and remember that getting 100% compliance:

- may be extremely expensive
- may require a distinctive set of strategies rather than “more of the same” strategies

So..
4. Analyze how much compliance is “good enough”—and by whom—to achieve your objectives and....
5. Identify the most “mission critical” non-compliant behaviors and elements of target populations and focus on them with specific strategies, e.g.,

- HIV prevention by increasing condom use by commercial sex workers (CSWs) and long-distance truck driver clients
6. Look for “leverage points” that:

- reduce targets’ compliance costs
- reduce monitoring costs or
- simplify program delivery

for example,

- Withholding income taxes
- requiring that iodine be added to table salt in Kazakhstan
7. Think creatively about “secondary targets” and how they may be useful in improving overall compliance levels.
8. Think strategically about the long term and multiple phases, e.g., in the campaign against smoking

- Information about smoking risks
- "Denormalization" of smoking
- Public support for stronger anti-smoking regime
- Reductions in smoking
- More aggressive tobacco control policies

Because there are no "magic bullets"
9. Use multiple strategies in tandem

especially when the primary strategy is problematic and the cost of non-compliance is high
10. Don’t forget that widespread non-compliance may indicate a problem with the objective and the policy rather than with the targets of policy.