

‘Nudge’ as an Organizational Strategy -An Overview of the Public Sector

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Abstract

The public sector is challenged by the complexity of issues and limited resources. In this context, nudge has emerged as an easy and cost-effective way to influence citizen’s behavior for desirable outcomes without coercion. ‘Nudge’ theory, proposed by Richard Thaler and Cass Sunstein in 2008, has garnered attention among global policymakers for its potential as a non-intrusive behavioral intervention that encourages citizens to make better decisions without changing the available choices or their economic incentives. Governments worldwide effectively employ nudges in various sectors to engage citizens and employees. The popularity of nudge is evident from the fact that many governments have established separate nudge units to research and implement the idea. Successful application of nudges has led to improved outcomes in sectors like education, health, personnel management, and environmental conservation.

This article aims to provide a comprehensive review of the “nudge” theory, its emergence, organizational adoption, and sectoral applications worldwide. The article also discusses the limitations and criticisms of nudges regarding ethical considerations and their long-term effectiveness that policy makers need to consider when developing practical guidelines to enhance the ethical application of nudges in diverse contexts.

Keywords: Nudge, behavioral interventions, public organizations, public policy.

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Nudges have been successfully used by individuals, organizations, and even nations to influence behaviors since time immemorial. However, recently nudges have increasingly gained popularity as an instrument of behavior manipulation without coercion. Rooted in the concept of “libertarian paternalism”, nudge theory is about pushing individuals toward better behavior without limiting their freedom of choice.

The concept has gained much attention in both the private and public sectors as it can help achieve organizational goals more economically, efficiently, and equitably. While the private sector has primarily a profit motive, the governments have more challenging tasks performed by multiple agencies in complex environments and influenced by the political scenario. Moreover, the governments have many agencies competing for limited resources. Considering the predicament of public agencies, nudges hold a particular promise for public agencies as an innovative and cost-efficient means to engage with citizens and their employees to influence people’s behavior without coercion (John et al., 2009).

This article aims to provide an in-depth overview of the concept of ‘Nudge’ based on a review of available literature, their adoption as an organizational strategy in public administration, and sectoral applications, as well as limitations and discussions surrounding their effectiveness and ethical considerations.

What is a nudge?

Richard Thaler and Cass Sunstein (2008), in their influential book, ‘Nudge: Improving Decisions about Health, Wealth, and Happiness’ described the concept of nudge as an intervention in the choice architecture that aims at promoting a preferred behavior in people

without changing the availability of options or affecting their economic incentives. For instance, placing fruits at eye level in supermarkets can be considered a nudge to promote healthy eating habits, while banning junk food is not a nudge. As a nudge is not a mandate, policymakers can use it as a cheap, effective, and less invasive method to influence individual behavior without restricting free choice or imposing mandatory regulations.

Based on behavioral economics and psychology theories, nudge theory assumes that people do not always act rationally or consider all their options. Based on the limited information, time and resources, individuals often seek satisfaction in day-to-day decision-making, a concept known as bounded rationality proposed by Herbert Simon (2013). The theory considers that people are subject to various cognitive biases and heuristics that sometimes do not work well and cause them to make sub-optimal decisions.

Often referred to as “libertarian paternalism”, nudge offers an alternative approach in policy making and implementation that can be employed independently or in conjunction with other policy approaches to break the unfortunate patterns in decision-making resulting from cognitive limitations towards better choices for the individuals and community. The authors propose several methods for public and private organizations to “nudge” individuals towards better-for-them actions. Changes in the environment in which choices are presented can influence people's decisions, such as painting green footprints leading to trash bins, which can reduce littering, as people may tend to follow the footprints.

Adoption of Nudge as an organizational strategy

Influenced by Thaler and Sunstein’s book, several governments have considered nudges a cost-effective and relatively simple means to improve service delivery and compliance (Gawłowski, 2019). The first step was taken by the Government of the United Kingdom, which set up a nudge unit in 2010 to increase the role of behavioral sciences in public policy. This unit was founded as a joint-purpose vehicle of the Cabinet Office of the UK and Nesta, an innovation foundation.

The United States followed the United Kingdom’s lead in short order, forming the Social and Behavioral Sciences Team as part of the Barack Obama administration in 2014 (which lives on in the Office of Evaluation Services, or OES, in the General Services Administration). The Nudge units or Behavioral Insight (BI) teams have become integral to the government think tank and policymaking in Europe, North America, and Australia. However, there is relatively lesser diffusion in Asia, Latin America, and Africa, and little is known about China and Russia. International organizations such as the World Bank, UN agencies, OECD, and EU have also established behavioral insights units to assist their global programs.

The popularity of nudges is evident from the OECD report of 2017, according to which at least 202 public entities around the world are using behavioral insights in their programs and policies, excluding academic research centers or labs. Afif et al. (2019), studied ten countries employing behavioral insights and described how policymakers are using behavioral science to address public problems and challenges in a variety of areas. The report also examined how government innovation teams have been integrated, the types of projects they undertake, and the success of their experiments.

The structure of the Nudge or BI units differs from country to country. Some units have been created as centralized organizations with a top-down approach. For instance, the Behavioral Insights Team (BIT), a now-global team that began in the United Kingdom in 2010 as part of the

Prime Minister's Office, was one of the early adopters on the practitioner side. Similarly, the United States' OES operates at a federal level. In India, the behavioral insight unit is part of the top planning body.

Motivated by the positive experiences of nudges in the UK, other countries established BI units. However, many were designed as horizontal network organizations for developing holistic interventions. For instance, in 2013, the Dutch government commissioned an interdepartmental network of behavioral economics to promote collaborations between departments for knowledge sharing and co-creation (Stroeker, 2016). Similarly, most Nordic countries have also developed a decentralized or network organization approach for BI units. In Sweden, a network of organizations, institutions, and businesses known as the Swedish Nudging Network (SNN) and Nudge Sweden (NS), which exist at the national level, is collaborating to develop behavioral insights in an integrated manner. SNN works on a global scale by becoming an active member of the European Nudge Network to exchange knowledge and best practices. However, some of its members are drawn from the public sector as it is primarily concerned with public services. While Denmark lacks a governmental unit dedicated to nudging, some bottom-up initiatives, such as by the Danish Business Authority and local government teams, have been launched on a volunteer basis. Most BI units function as low-cost units with minimal staff from diverse disciplines, including psychologists, social scientists, and statisticians.

Sectoral application of Nudge

Nudges have been effectively used in many governance sectors as a safe strategy. The use of behavioral sciences has expanded in the public sector across different areas, such as education, personnel management, taxation, and health – including applications in the Covid pandemic. The most visible and powerful manifestation of the nudge to date is in the communication about handwashing and face touching during the Covid pandemic – the metaphorical use of “disgust” as an incentive to wash hands and the suggestion to sing *Happy Birthday* to ensure hands are washed for the recommended 20 seconds. Governments worldwide adopted such nudges during the pandemic to promote healthy behavior like frequent hand washing, using face masks, etc. (Sasaki & Ohtake, 2021). Nudges have been successfully employed in various other domains of public service.

Los Angeles Police Department (LAPD) employed behavioral science's fundamental principles, simplification, as an effective means to improve its recruitment process. Removing friction costs increased the likelihood of applicants following through with the process, and accelerated testing attracted high-quality applicants. The effects were also visible across races and genders and helped promote diversity in law enforcement agencies (Linos & Riesch, 2020)

In education, nudges have proved to be beneficial in various aspects. In Washington State University, nudging emails to the students improved their homework performance and, consequently, their grades (Smith et al., 2018). The successful ‘Food Dudes’ program in Ireland has successfully enhanced healthy eating in school-going children by encouraging them to consume a diverse and nutritious diet in exchange for rewards such as pencils, rubbers, and rulers (Marcano-Olivier et al., 2021).

Another effective use of nudges to promote environment-conscious behavior is the creation of eco-labels for food packaging to influence consumer purchases (Walter and Chang, 2020). Likewise, personalized reports containing information about neighbors’ electricity

utilization reduced energy consumption by 2% in the United States, creating a positive environmental effect (Allcott, 2011).

Large, randomized trials with healthcare professionals in work settings have exhibited that emphasis on socially desirable behavior, such as getting a vaccine or advocating for a vaccine, can act as a powerful nudge capable of improving the behavior of public servants without the use of financial incentives or sanctions (Belle & Canterelli, 2021). Research has also shown the effectiveness of nudging in improving vaccine behavior among citizens at little marginal cost (Dai et al., 2021).

Other successful applications of nudges include encouraging people to pay their taxes on time, appear in court, increase organ donation, and increase the effectiveness of public awareness campaigns (Borawska, 2020).

The most significant application of 'nudge', which predates the establishment of the unit in the UK, is the introduction of the default enrolment for pensions, leading to an enrolment of more than 10 million people in pensions. Other countries like New Zealand, Spain, Sweden, and Turkey have also adopted such nudges. In the past, governments used nudges to encourage citizens to comply with one-time behaviors, like paying taxes and fines on time. Since then, using nudges have expanded to address more complex problems such as poverty and immigration (Sanders et al., 2019).

Limitations and discussion

Unlike traditional policy tools, nudges are lauded as a low-cost policymaking approach that considers how people behave. The impact of behavioral interventions goes beyond the micro level as individual actions influenced by behavioral policies result in desired social outcomes at the meso and macro levels. Hence, the behavioral approaches in policy making and public service delivery have far-reaching social and political implications rather than simply changing an individual's behavior at the micro level. At the meso and macro levels, behavioral policies influence people's collective perceptions of social reality leading to changes in social identity and norm internalization to create a long-lasting impact. However, researchers have questioned the effectiveness of nudging as a method of achieving long-term behavior change. It is argued that influencing people through nudges is unethical because it involves an element of coercion, with some options weighing more than others (Lin et al., 2017). Public servants have an important role to play in these ethical debates because they are the ones who are actively involved in designing the nudges and influencing citizens' decisions.

Some scholars have contended that nudges have a limited scope and applicability as they are mostly used for simplistic issues, considered low-hanging fruits. Their employability to more complex problems like poverty is yet to be examined (Ewert et al., 2021; Hansen, 2016). Also, behavioral nudges, being broad-based approaches, often lack precision and often ignore an individual's reality. Knowledge about the personal circumstances of an individual can lead to a greater understanding of the effects and benefits of nudges. Personalized nudges are becoming a reality through the application of AI and the accessibility of big data. However, it may pose a risk regarding regulations and data accessibility (Mills, 2022).

Policymakers must also consider the importance of context in identifying and leveraging behavioral biases in policy implementation. Every country has its traditions, culture, and development that have all contributed to its people's distinct behavioral bias profile. For instance, Koreans exhibit lower approval of nudges than Americans and other Western countries (Kasdan,

2020). This raises important concerns about the generalizability of behavioral approaches (Banerjee et al., 2019). When designing a nudge policy, there is a need for policymakers to consider context as one size fits all cannot work.

Finally, the increased use of behavioral insights requires a broader consensus on practical guidelines and standards, even though some efforts have been made in this direction (Sunstein & Reisch, 2019).

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