

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

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**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....

<b>Intrusiveness and Insistence of Government Compliance and Enforcement Regimes</b>	<b>Examples</b>	<b>“Appropriate” Responses</b>
<b>High</b>	<ul style="list-style-type: none"><li>• Do not taking weapons on airplanes</li><li>• Don’t traffic in narcotics</li><li>• Pay all taxes owed</li></ul>	<b>“Compliance”</b>
<b>Moderate</b>	<ul style="list-style-type: none"><li>• Obey a voluntary cyclone evacuation order</li><li>• Non-mandatory recycling</li><li>• Cease smoking</li></ul>	<b>“Cooperation”</b>
<b>Low</b>	<ul style="list-style-type: none"><li>• Buy fuel efficient vehicles</li><li>• Feed children healthy diet</li></ul>	<b>“Consistency”</b>

# 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 3.3.7. Average Informality (Unweighted) by World Bank's Regions**

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

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*

**World Bank estimate of informal sector as % of GDP, 2001-2006**

<u>Country</u>	<u>Rank</u>	<u>% of GDP</u>
Costa Rica	42	24.5
Argentina	43	25.9
Mexico	55	29.8
Dominican Rep.	61	32.1
Ecuador	69	33.4
Venezuela	72	32.6
Jamaica	75	35.3
Trinidad & Tob.	79	35.7
Columbia	85	38.1
Paraguay	86	38.6
Brazil	88	39.8
Nicaragua	104	44.7
El Salvador	107	45.4
Honduras	110	49.3
Uruguay	114	50.8
Peru	118	58.4
Bolivia	120	66.4

# And in their levels of corruption?

## CORRUPTION PERCEPTIONS INDEX 2014

### Americas



Global  
Average score  
43/100



Americas  
Average score  
45/100

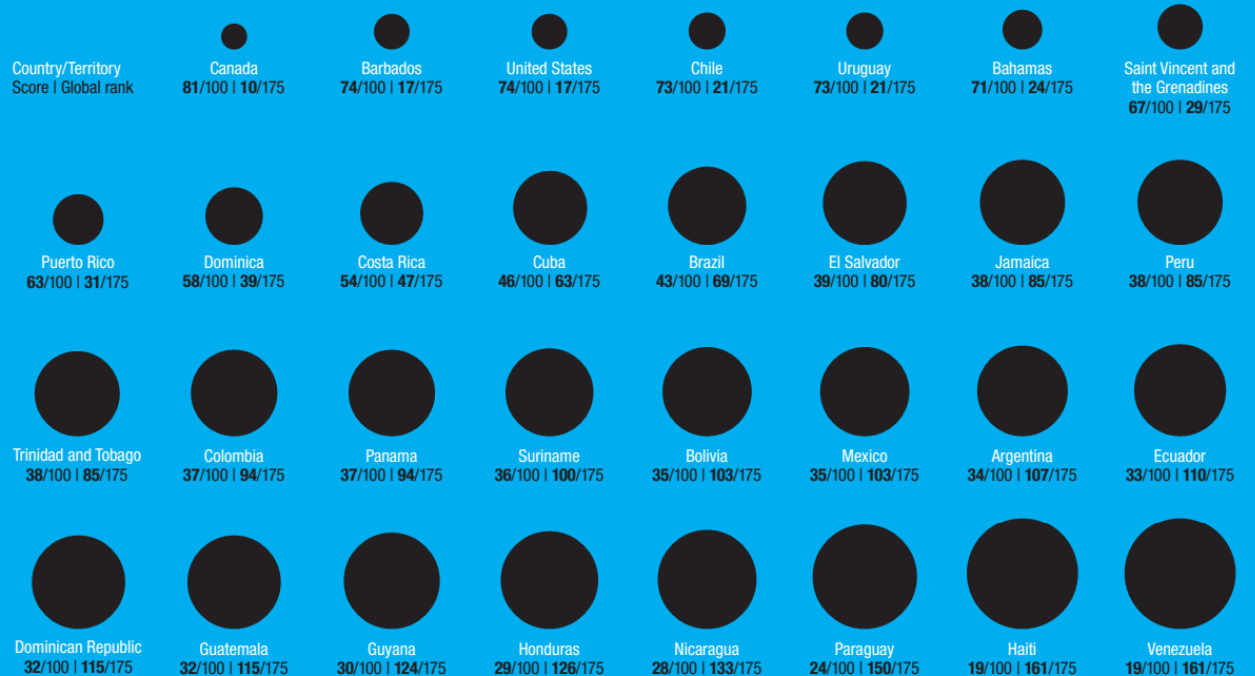
**68%**

of countries score  
below 50 out of 100

Score: 0 ↔ 100  
Highly corrupt    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](http://www.transparency.org/cpi)



VÍTIMA DESTE PRODUTO	HORROR	PERIGO	GANGRENA	INFARTO
 <p>O Ministério da Saúde adverte: Este produto intoxica a mãe e o bebê, causando parto prematuro e morte.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: Este produto causa envelhecimento precoce da pele.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: O risco de derrame cerebral é maior com o uso deste produto.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: O uso deste produto obstrui as artérias e dificulta a circulação do sangue.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: O uso deste produto causa morte por doenças do coração.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>
PRODUTO TÓXICO	IMPOTÊNCIA	SOFRIMENTO	MORTE	FUMAÇA TÓXICA
 <p>O Ministério da Saúde adverte: Este produto contém substâncias tóxicas que levam ao adoecimento e à morte.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: O uso deste produto diminui, dificulta ou impede a ereção.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: A dependência da nicotina causa tristeza, dor e morte.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: O uso deste produto leva à morte por câncer de pulmão e enfisema.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>	 <p>O Ministério da Saúde adverte: Respirar a fumaça deste produto causa pneumonia e bronquite.</p> <p><b>PARE DE FUMAR</b> DISQUE SAÚDE 0800 61 1997</p>

- 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...


**TAKE YOUR TIME  
TO SAY "YES"**

TO MARRIAGE  
HAVING YOUR FIRST CHILD  
AND YOUR SECOND



ASEAN - FAO - UNFPA  
Project on Multi-media Support for Population Programmes

Produced by IEC Ltd.  
SINGAPORE FAMILY PLANNING AND  
POPULATION BOARD  
SEC 02/80



'put  
some years  
between  
us'



girl or boy  
two is enough

For information on family planning  
phone 538766  
or go to your nearest  
Maternal & Child Health Centre  
or Family Planning Clinic



**Girl or Boy  
Two is enough**



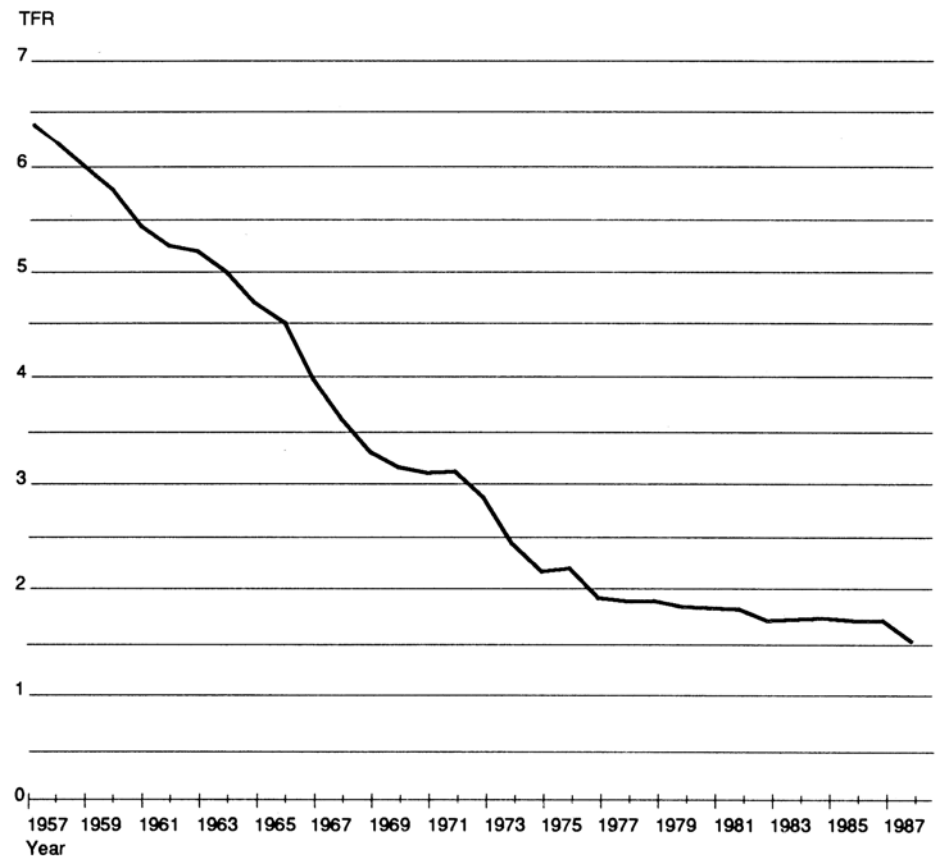
**Family Planning / Sterilisation Information Service**  
telephone **538766** or go to your nearest Maternal and  
Child Health Centre / Family Planning Clinic



**...that the  
initial  
objective is  
“overshot”...**

Source: Sharon M. Lee, Gabriel Alvarez,  
J. John Palen, “Fertility Decline and  
Pronatalist Policy in Singapore,”  
*International Family Planning  
Perspectives*, Vol. 17, No. 2, (Jun., 1991),  
pp. 65-73

**Figure 1. Total fertility rate, Singapore, 1957–1988**



# ...and policies have to be reversed (but with little success)

Specialist



# The Straits Times

Estd. 1845      MONDAY, MARCH 2, 1987      50 CENTS M.C. (P) No. 108/12/86



THE WORLD'S  
FINEST  
PHOTOGRAPHIC  
SYSTEM

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## Chok Tong announces new population policy

# Have 3, or more if you can afford it

By ALAN JOHN

IT'S the official population policy now. Have three, or more if you can afford it.

And with that message for Singaporean parents comes a package of measures aimed at getting them to regard the three-child family as the new norm.

At the core of the major policy shift, announced at a televised press conference by First Deputy Prime Minister Goh Chok Tong yesterday, is a sharp emphasis on responsible parenthood.

Parents must ask themselves if they have the means to provide a good home, care and attention to ensure that their children will not be at a disadvantage against others.

Parents should be encouraged to have more babies.

Those who stop at two won't be penalised.

Educational qualifications not a criterion.

The Government will encourage employers to be more understanding and sympathetic towards working women with young children, to promote part-time and flexi-time arrangements and encourage the provision of extended on-site maternity leave and the retaining of women who rejoin the labour force.

The Civil Service will set the pace. The Govern-

### Strategy for more babies

**Special tax rebate**

To reduce the financial burden of having a third child, a Special Tax Rebate will be granted. Details will be announced by the Finance Minister in his Budget speech on Wednesday.

**School registration**

The Government will remove all disincentives against the third child in school registration. Mr Goh said the third child will enjoy the same priority as first- or second-children from smaller families.

With effect from this year's registration exercise for admission into the 1987 Pre-Primary and Primary 1 classes, should the number of applications exceed the number of vacancies in any phase, priority will be given to children from three-child families in that phase.

**Subsidy for childcare centres**

The Ministry of Community Development will encourage the provision of more and better-equipped childcare centres. From April 1, the subsidy for children in ministry-approved childcare centres will be a flat \$18 per month regardless of the parents' income. Private centres that meet the ministry's standards will also qualify for equivalent subsidies to so to reduce the fees charged.

**Medicare for third baby**

With immediate effect from yesterday Medicare can be used for hospital and delivery charges for the birth of the third baby. This applies in both government and private hospitals, regardless of the mother's educational qualifications. But no overdraft of the Medicare account will be allowed.

**Co-operation from employers**

The Government will encourage employers to be more understanding and sympathetic towards working women with young children, to promote part-time and flexi-time arrangements and encourage the provision of extended on-site maternity leave and the retaining of women who rejoin the labour force.

The Civil Service will set the pace. The Govern-

## Medium-rang missiles: Gorbachev does an about-turn

US welcomes Soviet offer not link cuts to Star Wars accord

MOSCOW — Soviet leader Mikhail Gorbachev declaring Moscow's readiness for a breakthrough in arms control talks, has proposed a separate US-Soviet agreement to abolish medium-range missiles in Europe.

Reversing the earlier Soviet position that as deal was impossible without an accord on 125 President Ronald Reagan's Star Wars project, Mr Gorbachev said all medium-range missiles in Europe should be eliminated within five years.

An agreement was signed between the two countries stationed in East Germany and Czechoslovakia in response to the deployment of "NATO cruise and Pershing-2 missiles," he said.

The agreement would permit Moscow to keep 100 medium-range missile warheads in the Asian part of the Soviet Union and allow the US to keep an equal number of such warheads on its territory.

An accord along these lines was reached in principle at last October's 120-hour summit in Reykjavik.

However, the similar initiative accord on sweeping cuts in strategic weapons, it founded on disagreement over the US Strategic Defense Initiative (SDI) and Star Wars plan for a missile defence system.

Foreign analysts believe the deal was a clear indication of a major shift in Soviet policy after the summit.

The US and the USSR first opened on medium-range arms in Europe in November 1981, five years before the US began strategic deployment.

When the US first started in 1982, the US withdrew out of the arms control negotiations in Geneva.

It later resumed the separate defence talks.



**NUMBER OF WOMEN IN AGE GROUP 25-34**

Year	Number of Women
1985	267,000
2000	221,000
2030	167,000

Can they be persuaded to get married and have three children? Mr Goh points out one of the key concerns in Singapore's population problem — the projected decline in the number of women in the most fertile age group.



6

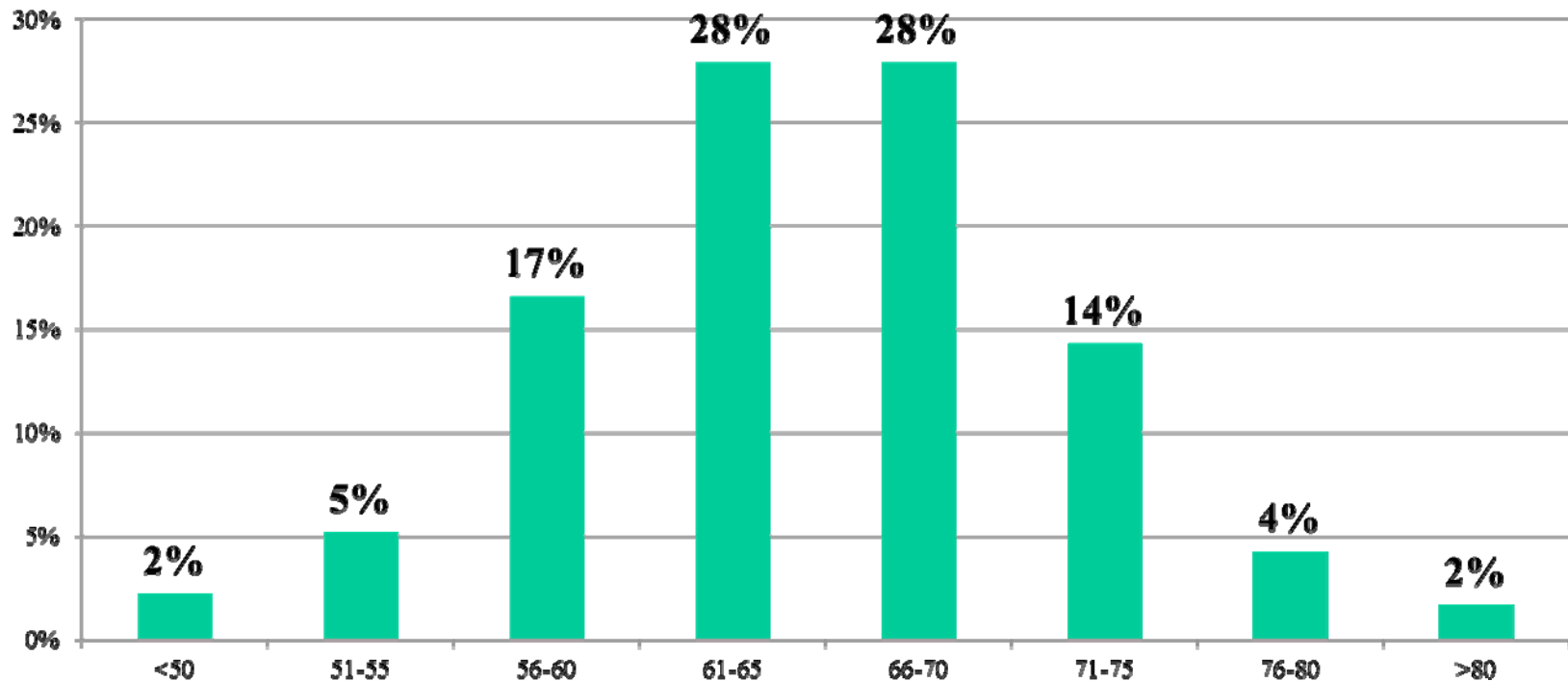
Some should be encouraged to have more babies.

— Page 12



# Sometimes compliance is moderate and “normally distributed” ....

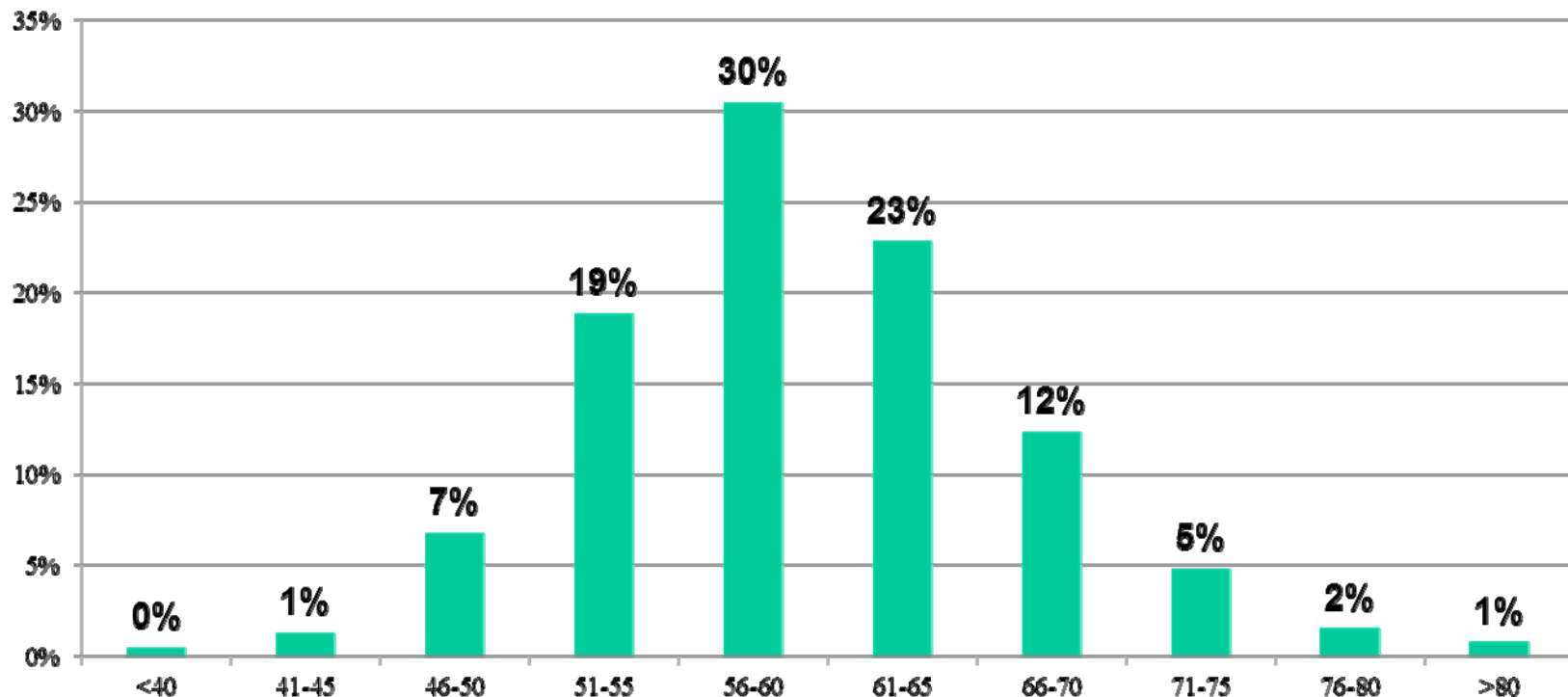
Distribution of Speed for Cars on Rural Interstate Highways in Illinois, 1992 (N=16,437,130)



Source: Ronald Clarke, "The Distribution of Deviance and Exceeding the Speed Limit," *British Journal of Criminology*, 1996, p. 175

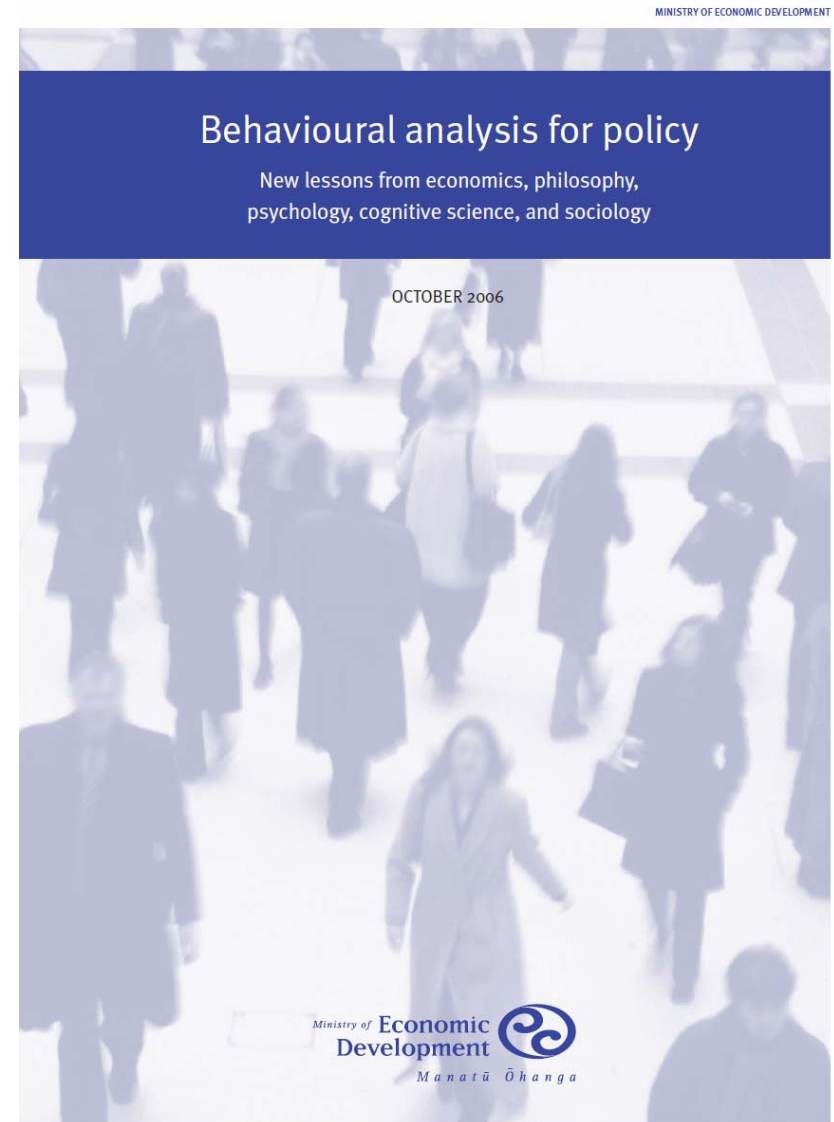
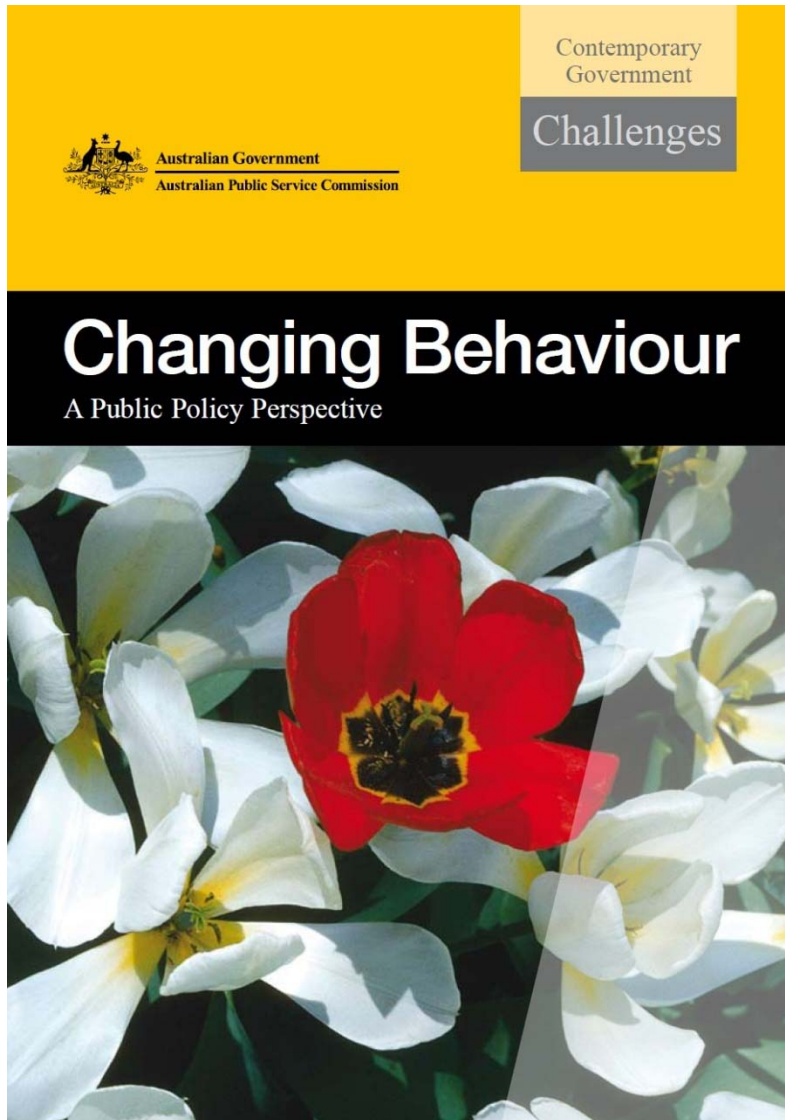
**...or fairly low and normally distributed largely within a zone of acceptable deviance”**

**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

CITY MPG

**60**

HIGHWAY MPG

**51**

**Actual Mileage** will vary with options, driving conditions, driving habits and vehicle's condition. results reported to EPA indicate that the majority of vehicles with these estimates will achieve between

51 and 60	mpg in the city and between	
43 and 59	mpg on the highway	

**2006 PRIUS**  
**4-CYL., 1.5 LITER DISP., VVT-1, DOHC. SFI ENGINE.**  
**AUTOMATIC VARIABLE GEAR RATIO TRANSMISSION.**

**Estimated Annual Fuel Cost:**  
**\$ 382**

**For Comparison Shopping,** all vehicles classified as

MID-SIZE

have been issued mileage ratings ranging from

10 and 59	mpg city and	
14 and 51	mpg highway	

**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

**CIUDAD DE MÉXICO**  
Distrito Federal

**SSP**

**CDMX**  
CIUDAD DE MÉXICO

**EN MATERIA DE POLICIA**  
LA BATALLA ES DE TODOS LOS DÍAS

## NUEVO ESQUEMA DE HOY NO CIRCULA

EXENTO	SIN LIMITACIÓN	VEHÍCULOS HÍBRIDOS Y ELÉCTRICOS
00	SIN LIMITACIÓN	VEHÍCULOS DE 0 A 2 AÑOS*
0	SIN LIMITACIÓN	VEHÍCULOS DE 0 A 8 AÑOS
1	UN DÍA A LA SEMANA + DOS SÁBADOS AL MES (IMPAR: 1° y 3°, PAR: 2° Y 4°)	VEHÍCULOS DE 9 A 15 AÑOS
2	UN DÍA ENTRE SEMANA + NO CIRCULA LOS SÁBADOS	VEHÍCULOS DE + DE 15 AÑOS

**FORÁNEOS**  
SIN ESTE ESQUEMA DE VERIFICACIÓN

UN DÍA ENTRE SEMANA + NO CIRCULA LOS SÁBADOS Y DE LUNES A VIERNES DE 5:00 A 11:00 HRS.

CUALQUIER VEHÍCULO SIN IMPORTAR AÑO O MODELO

\* De acuerdo a la NOM 163 Semarnat 2013

**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:**

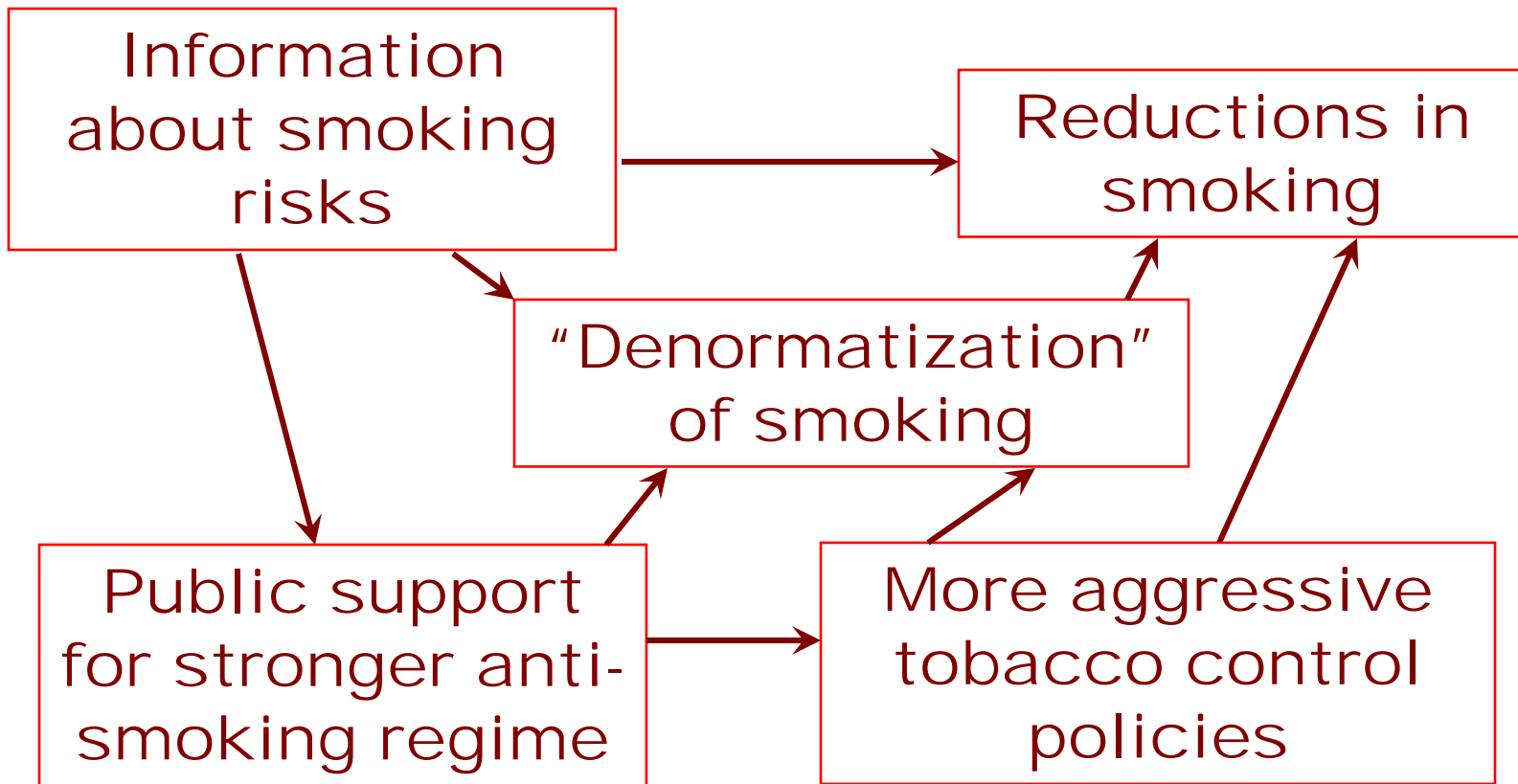
- reduce targets’ compliance costs**
- reduce monitoring costs or**
- simplify program delivery**

**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



**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**