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Inculcating The Importance Of Behavioural Insights (BI) For Better Policymaking

“Behavioural Insights: an inductive approach to policymaking that combines psychology, cognitive science with empirically-tested results to discover how humans actually make choices. Since 2013, OECD has been at the forefront of supporting public institutions who are applying behavioral insights to improving public policy. Since 2015, the OECD has brought together policy makers and practitioners to identify the challenges and opportunities for the BI community”[1].
Understanding behaviour to solve problems

HANA NZ HARUN

BEHAVIOURAL Insights (BI) is a proven tool that will enable governments to craft better policies for better lives and outcomes. International BI expert and head of strategic management and coordination at the Organisation for Economic Co-operation and Development (OECD) Faisal Nuru said Malaysia should embark on using BI as a vital tool in government and to be at the forefront of this initiative, particularly in the ASEAN region.

"It’s like being a mechanic with a toolbox, but not having a screwdriver. You need all the tools that are available."

In the ASEAN region, Singapore was the first to use BI, and they have been doing it for a while now. They have a number of ministries who have their own behavioral units.

"Malaysia would certainly be one of the leaders in using BI within the region in a systematic and strategic way," he said at the end of the National Seminar on Behavioural Insights 2020 held here last Thursday.

Faisal, who founded the work on Behavioural Insights at the OECD, said over 200 initiatives across the world have been applied in public policy, in countries such as Australia, Canada, South Africa, and Middle Eastern countries such as Qatar and Saudi Arabia.

"In Qatar, for instance, where they’re trying to deal with obesity and diabetes, they have eradicating low detection rate." Knowing that people have to fast in order to take a diabetes test, they set up free clinics near mosques in the month of Ramadan, and immediately, they saw a huge increase in detection rate.

"This is a good example of how you understand why people are or aren’t doing things, and what you can do to make it much easier, which might not necessarily be a kind of financial initiative," he added.

Faisal said it was important for administrations to know that there were deeper reasons as to why people were behaving the way they were doing, especially what BI would introduce to policy-making.

"Then we would have more impact for policies that actually achieve their outcomes, and this is assuming how people will behave and that the outcomes would happen."

Faisal added that investment would be needed to begin using this tool, but stressed that it was better to start earlier than later.

However, he said governments could accelerate the implementation by pushing in experts from other fields.

"You need expertise because it’s about introducing scientific methodologies and nudge. There seem to be people going back decades that this is drawing upon."

"Eventually, you will need these capacities and skills in public policy and in public governments," said Faisal.

He said while it was up to the government to decide how it would want to use BI, Faisal added to start off strategically and slowly, and not to use BI to solve the biggest problems right away.

"It’s not a silver bullet. Sometimes there are other elements such as structural issues, cultural reasons or other reasons why people are doing this." And so with that in mind, it’s important to be strategic where you apply this tool because it can have an impact. "It slowly builds the capacities, but does it slowly.

Earlier, International Trade and Industry Minister Datuk Darell Leiking said the government is committed to achieving a balance in accelerating procedures while maintaining the integrity of the process, through this approach. He said sound policy development and good regulatory design resulted in better regulation, which in turn, created the climate for a competitive and productive economy.

In his speech which was read by the minister’s Deputy Secretary-General (Industry) Datuk Seri Norazman Ayob, Leiking also said improving the government’s delivery system through reducing regulatory constraints was one of the structural reforms on the government’s agenda.

"BI has the potential to aid policy responses to complex challenges facing policy makers, inclusivity, sustainability and social outcomes of all levels of government and across economies and contexts."

"A government that intends to mainstream BI in their policy-making processes are encouraged to look for what works for the community, build narratives for engaging and gaining support from leaders, gear BI initiatives to their policy climate, establish frameworks for collaboration, and adjust aspiration based on current resources and capacity," he said.

The key, he added, was to develop collaborations and networks between governments and non-government partners and academia to use knowledge that already exists.

The application of BI had already spread rapidly over the years, said Leiking, but the use of BI in public policy making was still in its infancy stage in Malaysia.

He added that in some countries such as the United Kingdom, a Behavioural Insights Team was established as the government department responsible for behavioral science in policy-making.

"We cannot totally rely on economic theory and assumptions, as decisions made by real people often deviate from the impractical theory based on conventional economics."

"Here, there is a need to create a conducive behaviour change theory or nudge theory which has been well used by policy makers to change public behaviour."

He said it was on encouraging to see Malaysia Productivity Corporation (MPC) had taken the lead to apply BI into public policy making, towards better regulations and had been involved with groundwork activities on BI such as awareness programmes and capacity building.

Among others, the application of BI, said Leiking, had proven to be useful in improving government delivery services to citizens as well as improving compliance among regulated entities.

He added that the formation of a Community of Practice on BI was important to synergise and strengthen efforts from various stakeholders to initiate and undertake BI programmes nationwide.

"We hope that each ministry will be able to establish their own Behavioural Insights Unit to look into related policy issues of their ministeries and agencies."

He was also happy to note that MPC has established the Unified Public Consultation (UPC) portal to facilitate stakeholder engagement in its rule-making process. The portal provides members of the public easy access to regulatory consultation through a single website.

UPC also contributes in achieving the government’s commitment to accountability, transparency and inclusiveness, enhances predictability, reduces risk of policy failures and encourages public commitment to the policy.

"To date, 35 ministries and agencies have participated in the UPC and consultation document have been uploaded for public feedback."

"From total number of more than 6,000 registered users, 26.6 per cent (1,740) consists of the public sector, while the waste sector accounts for 73.4 per cent (6,409)," he said.

MPC chairman Tan Chua said the organisation had held engagements with various BI experts locally and internationally, and also organised eight BI webinar sessions and a series of BI capacity development programmes held for government officials across ministries and agencies.

He said an on-boarding session on BI with ministries and agencies was also held to gather their potential issues, and 40 government officials had been trained on the subject.

"At the international level, MPC collaborates with various international organisations to facilitate knowledge enhancement and exchange of information."

"This, he said, was to ensure that Malaysia was on par with other advanced nations on enhancing economic growth through better public policy."

MPC director-general Datuk Abduh Leef Alau Sani said understanding behaviour was important as it would allow policy makers to design better regulations which would enable smoother changes and accommodate target objectives.

"This is very important if you want to take a high income economy. Other countries are catching very fast. If we have the right tools, strategy and approach, it will create the right kind of impact and outcome," he added.
A Snapshot Of The National Seminar On Behavioural Insights (BI) 2020 & Selected Presentation Highlights

The following presents a general summary and does not cover all the issues discussed. The arguments and positions described in this report do not necessarily reflect those of Malaysia Productivity Corporation (MPC), or any individual presenters or participants at the seminar.

The seminar hosted a series of panel sessions which attempts to highlight the importance of understanding human behaviours towards improving public policy outcomes and government delivery services. The Seminar intends to create awareness on BI and its benefits in promoting evidence-based regulation, higher compliance rate, effective and efficient regulations to enhance productivity of the nation.

The National Seminar on BI was held on 20 February 2020 at Pulse Grande Hotel Putrajaya to promote and inculcate the importance of Behavioural Insights (BI) for better policymaking and to serve as a platform to share global best practices and exchange ideas.
Welcoming Remarks by MPC Chairman, YBrs. Tuan Tian Chua

“In line with the Malaysia Productivity Blueprint under the National Thrust 4 - Forging robust ecosystem, Behavioural Insights can strengthen regulatory governance by low cost intervention on policies and regulatory outcomes. At the sectoral level, 9 Productivity Nexus have been established. The uniqueness of the Productivity Nexus is that most of the initiatives are led by the industry and supported by the government and academia.

Malaysia Productivity Corporation (MPC) has been tasked by the Government to initiate awareness programs on Behavioural Insights by 2020. Since December last year, MPC has undertaken several Behavioural Insights initiatives and activities. Among them are engagements with various Behavioural Insights experts both local and international; and held series of behavioural Insights webinar sessions and Behavioural Insights capacity development programmes for government officials across ministries and agencies.

Last but not least, today’s National Seminar on Behavioural Insights 2020 marks the formal beginning of the Behavioural Insights journey in Malaysia”.

YBhg. Dato’ Seri Norazman Ayob, Secretary General (Industry), Ministry of International Trade and Industry (MITI) presenting the Opening Speech on behalf of YB Minister of (MITI).

“Incorporating Behavioural Insights techniques to the formation of good public policy and regulations, promotes high compliance rate through a human centric approach. To ensure the success of Behavioural Insights movement in Malaysia, we need concerted efforts from all ministries, departments and agencies to be on board with MPC. The establishment of Community of Practice (CoP) on Behavioural Insights is important to synergise and strengthen efforts from various stakeholders to initiate and undertake Behavioural Insights programmes nationwide.
We hope that each ministry will be able to establish their own Behavioural Insights Unit to look into related policy issues of their ministries and agencies. The ultimate goal of this movement is to ensure that Behavioural Insights approach is used in public policymakers.

It is important to highlight that, Behavioural Insights is a holistic approach to equip policy makers to be sensitive and careful in crafting policies that could lead to better experiment designs, more compelling business case and stronger social outcomes for the country. Quality regulations will ensure sustainable productivity and economic growth".

Session 1: Keynote Speaker Mr. Faizal Am Naru, BI International Expert
“Behavioural Insights in Public Policy”

Key Takeaways

- Evidence-based implementation is seen as a significant aspect in bringing changes. In fact, elements of collaboration among stakeholders bring efficient implementation.
- Apart from being empirical and experimental, being ethical is highly looked upon as it leads to transparency and being pro-social.
- The art of architecture - a challenge or problem or even an issue is seen as an interesting aspect to draw further solutions.
- Behavioural Insights is also viewed as a platform of evaluation where scientific theories, data and approaches are used to check upon reality.
- Behavioural Insights also aids to identify issues and how certain aspects are brought forward in finding solutions.
- Behavioural Insights also allows decision makers to plan and structure effective activities for solutions.

- Behavioural Insights uses theories and science, introduces notion of experiments and is an inductive approach.
- Behavioural Insights is implemented in many different areas within public policies.
Behavioural Insights (BI) refers to the application of behavioural economics or the “nudge theory”. There is a growing trend among countries around the world on the use of BI. The US and UK have pioneered the work, followed by Australia, Canada, Columbia, Denmark, Germany, Israel, Netherlands, New Zealand, Norway, Singapore, South Africa, Turkey and the European Union. The “nudge theory” assumes that individuals often make mental shortcuts that not necessarily have beneficial outcomes. Nudging therefore represents choices in a way that it influences individuals to make better decisions without inhibiting their freedom of choices. BI has proven to work in policy practices in OECD countries and beyond.
This report was led by OECD Regulatory Policy Committee and OECD Network of Economic Regulators with the support of the Regulatory Policy Division of OECD Public Governance and territorial Development Directorate. It discusses the use of BI, drawing on a comprehensive collection of over applications across the world and policy sectors, including consumer protection, education, energy environment, finance, health and safety, labour market policies, public service delivery, taxes and telecommunications. It suggests ways to ensure that this experiment approach can be successfully and sustainably used as public tool.

What lessons are there for policy?

Humans are predictably irrational. We don’t like change. Most people accept the default option when given a choice, which makes setting a beneficial default one of the most powerful nudges available.
Ten years on: What’s next for behavioural insights?

Opinion: Success has been built on three Es — Empirical, Experimental, Ethical

“The has been over 10 years since the influential book “Nudge” by Richard Thaler and Cass Sunstein was published, and now over 200 behavioural insights initiatives exist permanently in governments, regulators and organisations across the world”[2].

This piece was written by Faisal Naru, who has spearheaded the work of the OECD on Behavioural Insights and is currently Head of Strategic Management and Coordination in the office of the Executive Director of the OECD. So what are the key lessons, and why are behavioural insights becoming a mainstay in so many institutions?

Empirical evidence (Scientific Underpinning)

Evidence is often required when deciding on an action to take, and decision makers — whether a minister, senior civil servant or CEO — seeks the best available evidence on which to base their decisions. Will it work? Will it really change behaviour?

The evidence used can come from a variety of sources and can be based on a number of assumptions. The reason that behavioural science is increasingly being deployed in many institutions is because it provides “actual” or observed evidence, often with greater rigour, for decision makers.

Experimental (Rigorous Methodology)

This “actual” or observed evidence comes from the testing or experimentation that behavioural insights initiatives rely upon. Randomised controlled trials (RCTs) are often the choice of behavioural units in determining whether one intervention is more successful at achieving the desired outcome, or indeed if it has any impact at all. But other methods are also used, such as lab trials.

This experimental approach brings innovation: new ideas are brought in, drawing upon the vast research in the behavioural and social sciences. Will personalising a message work better than a threat of sanctions? Will knowing that others are doing something make someone change their behaviour?
Ethical (Transparent and Pro-Social)

It is important to maintain ethical considerations because behavioural insights not only try to find what works in encouraging a change in behaviour, but also why. Ethics matter when justifying the reason for the use of an intervention — whether that is to shareholders or customers, or to citizens, parliament or congress. The backlash that Uber faced from misapplying behavioural techniques, or sludging not nudging, is a lesson for all about the importance of maintaining the highest ethical standards.

Behavioural units have also been transparent by publishing their works and results in academic articles as well as annual reports. More units should do so to continue to share what has worked and more importantly what has not worked, and why not.

Session 2: Keynote Speaker Mr Alexander Stuart Clarke, BIT Singapore
“Behavioural Insights Application in Organisations”

Key Takeaways

- Three stages in applying Behavioural Insights which starts off with a low hanging fruit project and then building a team with the right skills and lastly tackle more complex issues.

- Another significant aspect is by building up a team with the right skills and at the same time ensuring there is a mix of disciplines, seniors to drive actions and at the same time the civil experience.

- The three aspects involved in the formulation of Behavioural Insights:
  - Understanding the science and literature on the Behavioural Insights
  - Running tests or experiments
  - Making changes in polices and services

- Illustrated an example of a pilot project where in the UK tuition fees was seen as a challenge when it comes to university enrollment. Main outcomes of interest the students’ survey responses indicating how likely they were to attend university and how interested they were in doing so. Finally the findings indicated that the prior hypothesis that students’ decisions not to attend were based on lack of financial information.
Two likely explanations,
* One, that students’ prior beliefs about financial aspect of attending university were unduly optimistic and their information treatment has made them more pessimistic about them, or
* Two, that students’ thinking about university with their head miss out on feeling the emotional pull of university.

Thus, ‘Good’ information not as effective as ‘rich’ information (In terms of percentage agreeing that they were interested / likely to go university whereby with minimal cost, they were able to increase applications by 17%).

**What are behavioural insights?**

Behavioural insights are empirical findings about human behavior that can be used to make public policy more effective. It is applicable for improving policies and services and has been tested and shown to be effective.

**How do you apply BI in your organisation?**

Start with low-hanging fruit projects; simple intervention does not mean simple project
* Have introduced BI to tax regimes globally, (Nine out of ten people pay their tax on time)
* Able to tackle big problems with small solutions eg. the Sanders Somerset Tour

“We can tackle big problems with small solutions: EG the Sanders Somerset Tour”

The Somerset Challenge is a school-led collaborative partnership aims to improve examination outcomes and close the gaps between different groups of young people and to create a self-improving system led by school. Tapping on the success from the London Challenge, the model was adapted to suit Somerset and its needs. The Behavioural Insight Team was formed in 2010 as part of the UK Prime Minister’s Strategy Unit, and was the first central government team dedicated to applying the lessons of behavioural science to public policy. Michael Sanders is the Head of Research at the Behavioural Insights Team and has led the programme of work with the Somerset Challenge, supervising all the trials conducted [3].

In one of its pilot projects (Pilot 2): Based on the idea that well informed individuals are able to make better choices for their future, they provided information to both parents and students about the costs and benefits of higher education in order to increase the chances of students applying to university. The experiments ran with the distribution of flash cards to students and parents with information of the future earning of attending university, the level of financial support available to low income students, and how the amount of student loan repayments will be dependent on future income.
In the pilot study, the team worked with students to test the impact of the information cards displayed above. From a sample of 60 students, half were randomly assigned to receive the cards and half did not receive the cards. They were asked a week later how likely they were to attend university and how interested they were in doing so. The figure below shows the results—both are positive, although only the effect on interest is statistically significant.

This is most likely due to a “ceiling effect” that most of the students in this school were definitely going to attend university even in the control group. These results were deemed to be promising, so they continued to proceed on a larger scale trial. The figure below illustrates the main outcomes of interest the students’ survey responses indicating whether there were interested in university and how likely it was that they would attend university.
Finally the findings indicated that the prior hypothesis that students’ decisions not to attend were based on lack of financial information. 2 likely explanations -one, that students’ prior beliefs about financial aspect of attending university were unduly optimistic and their information treatment has made them more pessimistic about them, or two, that students’ thinking about university with their head miss out on feeling the emotional pull of university.

Thus, ‘Good’ information not as effective as ‘rich’ information (In terms of percentage agreeing that they were interested/likely to go university whereby with minimal cost, we increased applications by 17%).

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**Applying BI to internal issues within your organisation**

- Build up a team with the right skills  eg the Behavioural Insight Team (BIT) was set up in the UK government in 2010, with mix of disciplines; Senior figure connections to drive action, and they are now working around the world.
- Building up a team takes time
- Tackle more and more complex issues

**Complex issue 1: Managing the housing market**
We have run a series of trials in Singapore on this (Suggesting a payment of $10,000 versus suggesting a payment of $20,000 and Showing the maximum loan tenure versus showing the prudent loan tenure)

**Complex issue 2 : Reducing corruption**
Phase 1 tested the SMS, Phase 2 added audits
We didn’t shift quantity but we did see change

**Complex issue 3: Emergency call-taker burnout**
We had 911 dispatchers read and submit stories
We reduced resignations by 3.4% pts.
- However **people behave in “irrational ways”**. Traditional Economics sometimes doesn’t work as it relies on levers such as Pricing, Incentives and Information. Traditional economics assumes that given the right price, incentives and all the necessary information, people will make the best decisions in their own interests, that collectively results in an optimal policy outcome, assuming other economic factors remain the same.

- Traditional economic instruments conflict with human behaviours as it overlooks the human thought process and behaviours. **Without considering Behavioural Insights (BI), government policies may fail.** People make decisions based on mental shortcuts and presumptions.

- Behavioural Insights is not just imposing regulations or carrying out enforcements neither it is a promotion or marketing but is more on guiding and ‘nudging’ as well as providing people choices and outcomes.
- Policymakers need to consider behavioural effects. Policymakers may keep tweaking the same economic instruments, eventually leading to a policy failure. Policy failure is often blamed on the public’s mindset.

- **BI is an economic tool that aligns human responses.** While in a Regulated Economy over-regulation and red tape becomes a cost and compliance administrative burden, Free Market Economy can lead to overconsumption, exploitation, neglect, abuse and wastage.

- **BI is an economic tool that aligns people’s behaviour to improve policy outcomes.** BI can be more effective at lesser cost.

- He cited several BI case studies for Urban Mobility & Public Health, Town Planning, Public Utilities - consumption management, energy efficiency and carbon reduction, Public utilities- cost management and environmental preservation, public health etc.

## Implementing BI

### Possible BI applications

#### POLICIES & REGULATIONS
- **Enhance Policy Design & Adoption**
  - For Government: Help policy-makers understand behavioural responses that affect the success or failure of policies and regulations
  - For Corporations: Help corporations design responses to policies and regulations

#### INFRASTRUCTURE DESIGN
- **Enhance Physical Design & Usage**
  - For Government: Help planners and government authorities understand usage or underuse of public facilities and infrastructure
  - For Corporations: Help property developers and leisure complexes improve infrastructure according to behaviours

#### PUBLIC SERVICES
- **Enhance Service Effectiveness**
  - For Government: Help government service providers to understand, adapt and enhance how they serve the public
  - For Corporations: Help businesses and startups design and improve services in line with consumer behaviour

#### ORGANISATIONAL CHANGE
- **Enhance Organisational Performance**
  - For Government: Help governments enhance the effectiveness and performance of its ministries and agencies
  - For Corporations: Help corporations enhance their internal capabilities and capacities to achieve better organisational performance
The BI Process – match possible theories and tools with the data during design and conduct trials to test tools and interventions during the test the intervention phase.
**Behavioural Economics (BE)** acknowledges that different personality types affect how people decide and choose. Behavioural insights helps us to understand how people make their decision in their everyday lives.

Knowledge of behavioural insights is beyond that of the rational behaviour as described in the economics books. We must understand; the human being is unique. A human being has mind and soul that make each and every one of us unique.

**What is your choice?**

- **Before choosing**, we would consider all alternatives and find the opportunity cost to maximize our satisfaction or happiness. Is it true?

- According to BE, **people are not always rational**. Our decisions would not be the result of a careful weighing of costs and benefits and informed by existing preferences, nor always engaging in maximizing behavior. Most of our choices are not the result of careful deliberation.

- **BE uses psychological experimentation to develop theories about human decision making** and has identified a range of biases as a result of the way people think and feel. BE is trying to change the way economists think about people’s perceptions of value and expressed preferences.
- People’s feelings, emotions, pain and pleasure can be observed through the selection of choices through their preferences. This concept is vital because preference is the fundamental of human decision making and choices.

- Is it logical? Is it satisfying, suffice?

- In reality, defaults, frames, and price anchors would not have any bearing on consumer choices.

- **Framing bias** occurs when people make a decision based on the way the information is presented, as opposed to just on the facts themselves. The same facts presented in two different ways can lead to people making different judgments or decisions.

- **Price doesn’t matter.** When a behaviour is transformed into a habit, humans would start to rationalise and normalise the wrong behaviour. In some cases, they would believe that the wrong behaviour as the right behaviour and they would tolerate with any of the behaviours. For example, when some people start to smoke, they would feel that smoking is irritating due to the bad odour and is considered a waste of money. However, when they repeat the action for several times, they would fall in love with it. Of course, in this case, nicotine plays an important role to reinforce the human behaviour. For smokers, they would not feel the irritation of smell anymore. To some extent, some smokers can even sacrifice food for them to have their cigarettes!

- Right or Wrong?- A Habitual Action

- Price? It **doesn’t** matter!
People don’t always act rationally. In fact, they tend to act irrationally but in predictable ways. Because their mistakes tend to be predictable, people can be encouraged to make better choices. Hence, we apply choice architecture and give them a nudge. A behavioural nudge is getting you to do something without restraining your freedom of choice or changing financial incentives.

Application of Nudges: Nudge is a concept in behavioural science, political theory and behavioural economics which proposes positive reinforcement and indirect suggestions as ways to influence the behaviour and decision making of groups or individuals.

The nudge concept was popularised in the 2008 book *Nudge: Improving Decisions About Health, Wealth, and Happiness*, by two American scholars at the University of Chicago: economist Richard Thaler and legal scholar Cass Sunstein.

Richard Thaler and Cass Sunstein define a nudge as "any aspect of the choice architecture that alters people’s behaviour in a predictable way without forbidding any options or significantly changing their economic incentives”. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting fruit at eye level counts as a nudge. Banning junk food does not.

A nudge makes it more likely that an individual will make a particular choice, or behave in a particular way, by altering the environment so that automatic cognitive processes are triggered to favour the desired outcome.

Designing a behavioural nudge - the options can make a difference, it is more than motivation.

Eg the way in which these product choices are presented to buyers will influence the final purchases made.
Thus understanding human behaviour is important in forming public policy, good regulatory practice and creating motivated guidelines. In the private sector, it helps to form an organisation behavioural policy, marketing strategies and a sustainable business environment that the consumers are transformed into your brand ambassadors.

In behavioural intervention, we apply the framework from behavioural insight team – the EAST principle:
- Keep it Easy
- Keep it Attractive
- Keep it Social
- Keep it Timely

Behavioural insights provides the tools, framework for policymakers, department strategies, organisational strategies, sales and marketing strategies to enhance the traditional ways and uplift the delivery system.

All the interventions are actually simple and easy to be implemented. Learn new ways to reach the heart and soul of the people!

Voting Behaviour is unique.

Human perception is one of the most difficult parts to deal with. Nowadays, with digitalisation and globalisation, there is an overflow of information in our daily life. People trust information without any verification. They would share and take the attempt to trust and internalize the wrong information to be the fact. As a result, the wrong perception is formulated.

We can apply psychology to change voter’s behaviour- perception management and behaviour modification.
Must-read books and publications about behavioural economics and social impact

New Publication

While most books focus on investigating nudges and how they work, this book explores in great detail in exploiting unavoidable biases, to enable you to make better decision making and enhance your well being, professionally and personally. Fudges are occurrences also deserves some attention however with a better understanding of the concepts, you can aim to nudge better to enhance your strategy in certain contexts.

Preface

The book Nudge or Fudge helps readers to understand the concept of behavioural economics in an easy way. The field of behavioural economics remains new in most of the universities in Asia. Behavioural economics describes economic phenomena by considering human beings are not fully rational. It does not mean that the human is not smart. Human has limitations that affect their behaviour in some ways.
Unlike a robot or Homo economicus, most people have difficulties with assessing new information. The example when it comes to stock investments, human hardly ever fully rational. While most of the standard economic theory is normative, that means explaining how people should behave. Behavioural economics is descriptive explaining how people actually behave.

By incorporating psychological insights into economic theory, behavioural economics helps to explain non-rational behaviour and to better understand finance, labour markets, and management practices. A better understanding of the behavioural biases makes us different from robots, and the Homo economicus can help us to make better decisions for our own professional and personal life.

No matter whether these decisions concern our finances, medical treatment or career choices, behavioural economics explains the gap between actual and rational behaviour and tells us how to close it so that actual behaviour and rational behaviour becomes one.

This fundamental book of behavioural economics alerts you on how human is influenced by our biases. By understanding our own biases, we shall take a bold stance and an active role in understanding the hidden forces that lead us to the bias. So, we bring more control over our decision better.

This book provides an explanation of the concept used in behavioural economics in a more relaxed way. In each chapter, it starts with the description of the concept. Then, a comic form of pictures to illustrate the concept in an easily understandable way. This book also shares some tips on how the behavioural economics concept can be applied in various sectors, including finance, marketing, human resource.

Lastly, always remember, our greatest threat is not the sharks, our greatest threat is our biases. These are the things that prevent us from moving forward to look for our dreams. From this book, I would like you to be aware of all our biases and control it, face it and overcome it. Ask yourselves what bold choices have you made.

We hope this book gives everyone a fundamental concept to apply behavioural economics into their strategy. Once you have understood the concept well, the reader can venture into the behavioural insights and nudges to enhance their strategy.
“Sharing of BI in Public Policy: IRBM’s Experience” by Mr. Mohammad Noor Ahmad

- Shares on the ‘Nudge’ system to gain compliance from the public in which four methods are used namely Deterrence Nudging, Letter, Pop-up message and the prefilled information.

- ‘Nudging’ tax payers especially the new taxpayers: the ‘nudging’ system is seen as an efficient approach as the go-green movement is embedded in it thus creating an eco-friendly environment.

- Pop-up messages on e-filing serve as an approachable reminder to the people and are effective.

- However, apart from the ‘nudging’ process, emails, letters, tv and radio announcements as well as other mediums of information are used to ensure the public are well informed of a particular agenda. In fact, a phase by phase outline is drawn to ensure effective implementation.

- Through such measures, there has been an increase in the number of taxpayers over time.

**TYPE OF NUDGING ACTIVITIES IN IRBM**

<table>
<thead>
<tr>
<th>Deterrence Nudging</th>
<th>Letter</th>
<th>Pop-up message</th>
<th>Prefilled Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefit:</strong></td>
<td></td>
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</tr>
<tr>
<td>To give guidance to taxpayer on the procedures on tax return submission and benefits of e-Filing</td>
<td>Consideration for lower penalty to late e-Filers</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benefit:</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Encourage taxpayer submit return using e-filing (faster refund, more time to submit tax forms, lower penalty rate)</td>
<td>Reminder letter – registered taxpayer but not submit their tax return.</td>
<td>Audit letter – encourage taxpayer to come forward to make a voluntary disclosure with lower penalty rate</td>
<td>SVDP letter – based on other information such as exchange of information / cooperation with government agencies etc</td>
</tr>
<tr>
<td><strong>Benefit:</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Data Analytics information – notify taxpayers regarding their income received before submit tax return (e-filing)</td>
<td>Encourage voluntary compliance</td>
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<tr>
<td><strong>Benefit:</strong></td>
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NUDGING PROCESS IN VOLUNTARY TAX COMPLIANCE

Implementation Period
- 1st Period: 3rd Nov 2018 – 30th June 2019
  - Penalty rate: 10%
- 2nd Period: 1st July 2019 – 30th Sept 2019
  - Penalty rate: 15%

Letters
- For general public:
  - 1st phase: 4.7 million taxpayers
  - 2nd phase: 1.5 million taxpayers

e-Mail Blast
- For general public:
  - 1st phase: 3.6 million taxpayers
  - 2nd phase: 3.0 million taxpayers

Target Groups
- Non-Registered Taxpayers
- Non-Submission of Returns
- Incorrect Return / Under Reporting
  (income / disposal of asset / claims)
- Failure to pay stamp duty on instruments

2019 National Budget
- Tabled under 2019 National Budget by the Government on 2nd Nov 2018
- Fiscal Policy to increase compliance and revenue

SPECIAL VOLUNTARY DISCLOSURE PROGRAMME

Verification of Information
- Internal data
- 3rd party information
- CRS-AEOI

Acceptance of VD
- In good faith
- No further review of cases reported
- Letter of acceptance and assurance
- Ease of compliant

Promotions / Awareness
- TV, radio announcement, articles in daily news, distribution of pamphlets and banners, SVDP infographic, social media (FB, IG, Twitter, Whatsapp)

Engagement & Briefing
- Internal
- External

For general public:
- 1st phase: 4.7 million taxpayers
- 2nd phase: 1.5 million taxpayers
- Letters
- E-Mail Blast
- Target Groups
- Verification of Information
- Acceptance of VD
- Promotions / Awareness
- Engagement & Briefing
“Case Studies in Evidence-based Interventions” by Mr Loo Liang Yi, IPSOS

- Shared a case study “Using Smarter Information to Empower Energy Users” on minimising the use of energy where the objective of industry regulator is mainly to encourage consumer engagement in the energy market and at the same time encourage households to use energy wisely.

- Major issue in this challenge was the consumers’ attitude where savings are seen as intangible, switching is seen as a hassle and there is a mistrust in the industry.

- Strategy from the Behavioural perspective was to seize the moment when people access bills online where there are pop-up messages and at the same time the ‘messenger effect’ where persuasive measures are driven on annual statements. Such measures are seen as significant measures creating awareness amongst consumers on energy usage.

- Cited another case study “Tailored Approach to Cessation Smoking”, where anti-smoking campaigns have been around for decades and still more than 7 million die as a result of direct tobacco use, indicating its less effectiveness. Thus the need arises to develop and experiment a new evidence-based approach [4].

- Visualise behaviour change as a journey as depicted below:
PUTRAJAYA: Malaysia Productivity Corporation (MPC) will develop a behavioural insights (BI) module that policymakers can use as a guide when drafting and framing laws and regulations.

MPC director-general Dato’ Abdul Latif Abu Seman said the BI approach is about formulating laws and regulations based on studies on human behaviour and hinges on persuasion and encouragement rather than punishment.

“For example, income taxpayers. with BI we can sit and discuss and offer incentives such as a discount or a 10% rebate. This approach indirectly encourages the individual to pay the tax. So, regulations or laws based on BI will indirectly bring about positive changes in people. We don’t use the law to force but to change their behaviour,” he told Bernama when met at the National Seminar on BI 2020 yesterday.

Dato’ Abdul Latif said MPC has been given the mandate by the Ministry of Economic Affairs to develop a policy to shore up economic growth and boost productivity. “MPC’s target is to encourage more government organisations to draw up regulations using the BI approach which, besides contributing to productivity, will also lead to behavioural change in a more positive way.

“Apply the BI method, not the harsh legal approach. There’s no need for prison, use an understanding approach instead,” he said.

According to him, MPC would implement various awareness programmes and activities this year, targeting policymakers, the business community and the society. “We will organise webinar sessions, use social media such as Facebook, Instagram and Twitter, and relevant seminars and programmes to disseminate behavioural information,” he said.
Earlier in his opening speech, MPC chairman Chua Tian Chang said MPC has been tasked by the government to initiate awareness programmes on BI, which is expected to be introduced under the 12th Malaysia Plan.

Since December last year, he said, MPC had undertaken several BI initiatives and activities which included engagements with both local and international BI experts. “An on-boarding session on BI with ministries and agencies was also held to discuss potential BI issues and approximately 40 government officials have been trained on this subject.

“Today’s seminar on BI marks the formal beginning of its journey in Malaysia. The objective of this national seminar is to promote and inculcate the importance of BI for better policymaking,” he said.

Meanwhile, International Trade and Industry Minister Datuk Darell Leiking said ministries and government agencies should adopt the BI approach in crafting policies that could lead to better experiment designs, more compelling business cases and stronger social outcomes for the country. He acknowledged that the application of BI had proven to be useful in improving government delivery services to citizens as well as improving compliance among regulated entities.

“BI has the potential to aid policy responses to complex challenges facing policymakers, (such as) inclusivity, sustainability and social outcomes at all levels of government and across economies and context,” he said.

His speech was read out by Ministry of International Trade and Industry (MITI) deputy secretary-general Datuk Seri Norazman Ayob.

Darell noted that the application of BI has spread rapidly over the years beginning in the United States, the United Kingdom, and recently in Asia.

“In Malaysia, behavioural information in public policymaking is still in its infancy. We cannot totally rely on economic theory and assumptions, as decisions made by real people often deviate from the impractical theory based on conventional economics,” he added. – Feb 21, 2020, Bernama [5].
MPC’s Behavioural Insights
Webinar Sessions

1. Intro Behavioural Insights
2. Can Behavioural Insights Improve Oral And General Health Related Outcomes?
3. Personality & Behavioural Change
4. Promoting Retirement Security - How To Save More For Retirement?
5. Applying Behavioural Insights At The Workplace
Webinar Session 1: Enhancing Behavioural Insights to Create Sustainable Behavioural Change at Work

Date: 16 April 2020
Presenter: Mr. Issac Peter, CEO & Principal Consultant, People Performance
Registered Participants: 129

Recording Link: https://attendee.gotowebinar.com/recording/4912915227316222732
Webinar Session 2: Behavioural Science Meets People Analytics. Empowering Human Capital with Data and Technology

Date: 23 April 2020
Presenter: Mr. Mohd Shahidi Ismail, TellNSearch
Registered Participants: 149

Recording Link: https://attendee.gotowebinar.com/recording/9094577850228907271
Webinar Session 3: Behavioural Insights for Smarter Policies

Date: 30 April 2020
Presenter: Mr. Eddie Razak, Senior Advisor, Eden Strategy Institute
Registered Participants: 137

Recording Link: https://attendee.gotowebinar.com/recording/562185099911591695
Webinar Session 4: Designing Behavioural Strategies for the Workplace

Date: 6 May 2020
Presenter: Mr Issac Peter, CEO & Principal Consultant, People Performance
Registered Participants: 128

Recording Link: https://attendee.gotowebinar.com/recording/405603649132715279
Webinar Session 5: COVID-19 “New Normal” The Behavioural Insights Perspective

Date: 14 May 2020
Presenter: Mr. Mohammad Abdul Hamid, Nudge.com
Registered Participants: 136

Recording Link: https://attendee.gotowebinar.com/recording/2212493779396743686
New WHO/Europe Tool For Behavioural Insights: Critical To Inform Covid-19 Response

A WHO tool for rapid, flexible and cost-effective monitoring of public knowledge, risk perceptions, behaviours and trust is now available to countries in the WHO European Region to make their COVID-19-related response relevant and actionable.

The following are extracts from WHO on a new behavioural insights tool for national and local authorities developing and coordinating interventions, policies and messages for the COVID-19 response:

New WHO/Europe tool for behavioural insights: critical to inform COVID-19 response

WHO/Europe has released a new behavioural insights tool for national and local authorities developing and coordinating interventions, policies and messages for the COVID-19 response. Understanding public levels of trust, people’s perceptions of risk, and the barriers they may face in following recommended actions is critical to the effectiveness and success of pandemic response measures. Such insights into public behaviour form the basis of effective communication and can identify issues related to stigma or conspiracy myths, for example, as they emerge, thus ensuring that they are addressed quickly and effectively.

“Rapid, simple and flexible to use, this behavioural insights tool offers countries invaluable information to support and guide their COVID-19 response activities. Our success in tackling the new coronavirus depends on people being informed, willing and enabled to take the right public health action,” said Dr Hans Henri P. Kluge, WHO Regional Director for Europe.

“Empowering people and leveraging behavioural and cultural insights for health is one of the 4 flagship initiatives I have identified for WHO/Europe, to deliver my vision of ‘united action for better health’. Several Member States have already initiated studies to gain these COVID-19-related insights, and I strongly urge others to do so, particularly as they transition through phases of the pandemic response,” he concluded.

The new tool is available in English and Russian, and the accompanying survey can be conducted in any language and tailored to country contexts. It was developed in collaboration with the University of Erfurt, Germany, which is currently collecting data every week and sharing results with German authorities coordinating the pandemic response.

“Now, we are looking into strategies for the transition period, including acceptance of digital solutions such as tracing apps, as well as the alleviation of measures or the acceptance of the contact bans among specific target groups. This allows those responsible to shape their transition measures and related communications,” she added [6].
WHO tool for behavioural insights on COVID-19

A WHO tool for rapid, flexible and cost-effective monitoring of public knowledge, risk perceptions, behaviours and trust is now available to countries in the WHO European Region to make their COVID-19-related response relevant and actionable.

The outbreak is placing an overwhelming burden on health systems and authorities to respond with effective and appropriate interventions, policies and messages. One of the most critical elements of reducing virus transmission is public behaviour.

For crisis response measures to affect public behaviours, they need to be perceived as consistent, competent, fair, objective, empathetic or sincere. They also need to be easily understood and communicated through trusted people and accessible channels.

To succeed with this, it is critical to gain an understanding of issues such as:

- trust in health authorities, recommendations and information;
- risk perceptions;
- acceptance of recommended behaviours;
- knowledge;
- barriers/drivers to recommended behaviours;
- misperceptions; and
- stigma.

The newly established Insights Unit at WHO/Europe has developed a tool which:

- is evidence-based;
- can be rapidly applied;
- can be regularly applied;
- is simple and flexible to adjust to the changing situation; and
- is low cost and cost effective.

The tool is freely available to all. It has been developed in collaboration with the University of Erfurt, Germany, and the COSMO group, a consortium set up for such research [7].

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**Behavioural insights-tool-chart from WHO Regional Office for Europe**

- Establish national response coordination mechanism with broad range of stakeholders (if not already established)
- Engage stakeholders in all steps

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References


5. Bernama. (2020). MPC to develop a behavioural insights module. Focus Malaysia

