

2010 CCPRC Annual Meeting
Plenary Session 6
October 22, 2010, 1:15 p.m.

Implications of Behavioral Economics Research for CCDF Research and Policy

Description

During this session, meeting participants were provided with an overview of research in the area of behavioral economics and how this research might help us better understand decision-making among low-income families and providers as it relates to social programs. Specifically, the presentation addressed how behavioral economics can provide a framework for better understanding the decisions low-income parents make about participating in child care subsidy programs and the quality of care they choose for their children. Also addressed were the implications of behavioral economics to the decisions child care providers make about participating in child care subsidy programs and serving subsidy-eligible children and families. From the perspective of research dealing with parents and providers, respondents discussed how behavioral economics provides tools that may be helpful to “choice professionals” working with families and care providers in the context of the child care subsidy system.

Facilitator

Ivelisse Martinez-Beck, OPRE

Presenter

Lisa Gennetian, The Brookings Institution and ideas 42

Discussants

Gina Adams, Urban Institute

Roberta Weber, Oregon State University

Scribe

Sarah Daily, Child Trends

1. Documents in Session Folder

- “What Behavioral Economics Can Contribute to Child Care Policy, Practice and Research,” Lisa Gennetian
- “Behavioral Economics: Implications for Child Care Research Concerning Providers,” Gina Adams and Monica Rohacek
- “Implications of Behavioral Economics Research for CCDF Research and Policy: Parent Decision Making,” Roberta Weber, Oregon State University

2. Summary of Presentations

OPRE hosted a meeting last July on Behavioral Science and the Implications for Social Welfare. This session continues the conversation about possible applications of behavioral economics to social policies and practices. It included three presentations:

- **Summary of Presentation #1: Lisa Gennetian**
 - The traditional view of economics includes standard neoclassical tools related to decision making and choice. While effective, these theories do not account for how psychological factors affect behaviors. The behavioral psychosocial view of economics accounts for how we behave, which is not always rational. The benefit of looking at economics through a behavioral lens is that it enables us to understand and create new designs and solutions that may better account for behaviors that are not always predictable.
 - There are some key concepts in behavioral economics that are important to understand in the context of our conversation about the applications to child care policy and research. These include:
 - *Attention and Capacity*: limited attention—Individuals have limited attention, which impacts choices and behaviors; change blindness—change may be difficult to detect across a broad dimension; and complexity in choice—too much choice leads to suboptimal outcomes.
 - *Intention and Action*: there are differences between our intentions and our actions; and channel and hassle factors influence whether processes are easy or difficult.
 - *Identity*: our identity can be a salient factor that informs our choices.
 - The behavioral economics lens can be applied to child care, for example, in parent decision making. This lens can help in considering how elements of trust, values and beliefs, reducing choice complexity, and default options may be important in understanding behaviors and choices.

- **Summary of Presentation #2: Roberta Weber**
 - This presentation explored how we might begin talking about possible applications of behavioral economics to child care policy research (e.g., in the context of child care decision making, build on what parents consider important when providing information about child care choices to parents).
 - Child care decisions are high stakes because they involve well-being and future outcomes for children. Furthermore, a parent’s ability to know if a particular setting is good for their child is fraught with uncertainty—high stakes with low level of certainty. Research tells us that there are common characteristics among parents’ preferences and that these align with what research shows to be important for development: warm and nurturing caregiver, safe and healthy environment, and support for learning. Yet, parents use other characteristics to make decisions, such as trust, or their prior knowledge of the caregiver, which may be less understood and may play a more important role in the decision-making process. We also know that child care choices are made quickly, usually based on information gathered from social networks, and that it is only when those informal networks fail that parents turn to more formal resources such as resource and referral agencies.
 - Behavioral economics could be used in a variety of ways to better understand this phenomenon. For example, we might use testing strategies developed by behavioral economists to understand how to broaden parents’ sense of trust in a purposeful way. Or, we might map the complexity involved in making a child care decision or understanding how parents’ sense of identity influences the choices they make. The results from such studies could help inform how to best simplify and focus the

complexity of the child care decision-making process and change social norms that shape and inform these decisions.

- **Summary of Presentation #3: Gina Adams**
 - Gina’s presentation provided early reactions to behavioral economics, insights on possible immediate and future applications to child care policy and research, and some take-away thoughts.
 - The basic concepts of behavioral economics are based on intuitive theories, many of which are already implied in child care practice and policies. Developing a more explicit understanding of the connections between behavioral economics concepts and child care policy and research is a logical fit. Yet, there are some challenges to the terminology. First, using terminology about “rational” or “irrational” decision making is problematic as most of these decisions are quite rational. The issue may be instead that we do not understand the factors shaping the decision. Second, viewing child care policy and research through the BE also runs the risk of emphasizing a paternalistic view that research can identify what is in an individual’s best interest. Third, this lens may also suggest that psychological principles are universal, when different choices and preferences likely exist among various groups, settings, cultures, and languages. These cautions should not inhibit us from using this lens, but serve as a reminder that we should be mindful moving forward.
 - There are some criteria for child care research and policy questions that may lend themselves toward immediate applications of behavioral economics, including: focus on topics dependent on interactions between an agency and individuals, topics that focus on defined processes, and where enough control exists over a process that action is likely to influence the outcome. Examples of domains that might be immediately relevant for behavioral economics include subsidy policy design, management and implementation; enforcement of licensing; aspects of quality improvement initiatives; caseworker processes and administrative systems. Behavioral economics could be used to better understand parents’ choice architecture including the bottlenecks that inhibit choice or the default options available to parents (e.g., subsidy simplification and customer service strategies).
 - The usefulness of BE is less immediately clear when considering more complex areas, although these could be explored in the future. Complex choices might include multiple factors such as elements of policy, personal trade-offs, market and community influences, and varying degrees of clarity on alternative options. For instance, the BE lens is less clearly relevant in exploring the complexity of choice sets for different providers when faced with situations such as whether to keep a family that can no longer pay, or whether to accept a voucher.
 - Ultimately, behavioral economics is a helpful addition to the child care research toolkit. It has practical implications that incorporate aspects of context and implementation, especially for some of the less complex policy questions that meet the criteria described above. As we move forward, however, we need to remain cautious of using the BE lens to examine a number of the more complex issues inherent to the nature of child care, such as relationships and interactions, trade-offs, preferences, and diversity.

3. Summary of Discussion with Presenters and Participants

- Discussion centered on cautions and considerations that should be added to the exploration of behavioral economics and the implications for child care policy and research. For example, while one participant supported the exploration and application of behavioral economics to child care policy, she wanted to add an additional caution that research in this context not “over psychoanalyze” the decision-making process and ignore factors such as how the availability (or lack thereof) high-quality care options influences choices. Another participant wanted to add how dimensions of religion and personal beliefs influence choices, which the presenters reframed as a subset of trust.

4. What were the three or four key issues raised during the session? What are the implications of these issues for policy makers and new directions in CCDF?

- This is a new and exciting area of emerging research that should be further explored and supported in the research community.
- There are unique characteristics of the child care research and policy context important to keep in mind in the application of behavioral economics, such as the availability of quality care, the importance of relationships, and complexity of issues. Some topics may lend themselves better to the application of behavioral economics than others.