

The Power of Defaults

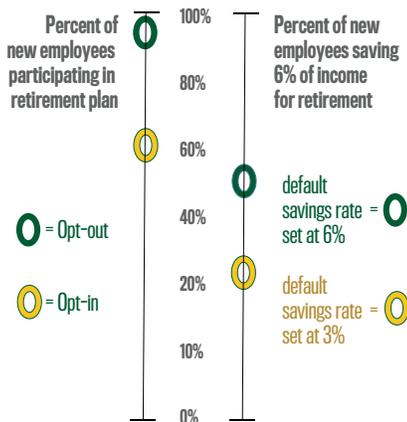
Are your program's defaults helping or hurting?

Background

Humans are prone to inertia. We tend to prefer to stick to the status quo. This tendency can have profound effects.

For example, **with retirement savings plans**, research shows that the default option for new employees matters a lot. **In standard plans, employees have to take action to enroll (opt-in). An alternative is automatic enrollment, where employees have to opt-out if they do not wish to participate. Participation is much higher with auto-enrollment.**

Defaults Matter: Retirement Savings Plan



Even the default savings rate matters a great deal: employees whose default is set at 6% are twice as likely to save 6% of their income than are employees

whose default is set to 3%. In this example, the default choices have substantial financial implications. These implications can be generalized. When we design policies and programs, **we need to consider how default options can influence participant decisions.**

Success Story

In an **auction** for nutrient management cost-share contracts, **switching the default starting bid from 0 to 100%** resulted in **participants willing to cost-share by 17.3% more.**

Application Ideas

In CRP sign-ups, adding conservation practices increases your EBI score. Producers develop a list of practices from a default of zero practices, to which they add. Would EBI scores be higher if the default for sign-ups were the set of all conservation practices for which a parcel is eligible, with producers removing practices they did not want from the list?

Online technical assistance platforms can provide better service to USDA clients. While it may be difficult to make the online platform the default primary contact method, participation in the online platform could increase dramatically with an intermediate

default, called **active choice**. With active choice, clients must choose if they would like to have their primary contact method online or in-person/via phone calls.

Design Tip

To encourage greater participation, suggest above-average levels of commitment in your default options.

For example, instead of asking “how many acres would you like to sign up”, ask “would you like to sign up 75% of your eligible acres?”

Testing Ideas

Before changing a program, testing can be used to estimate possible impacts. New program defaults can be rigorously tested with randomized controlled trials. With testing, we can design evidence-based programs with greater levels of participation, participant satisfaction, and improved environmental outcomes.

Where to Begin

Well, CBEAR of course! Use the information below to contact us. We can advise you in the design and testing of changes in your program defaults to maximize your impacts.

For more information about **The Power of Defaults (Behavioral Insights Brief no. 1)** and **CBEAR**, visit www.centerbear.org or email CBEAR co-Directors, **Paul Ferraro (pferraro@jhu.edu)** and **Kent Messer (messer@udel.edu)**.