



Applying nudge theory in local government



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As humans, we can at times, with all good intentions, tend to gravitate to finding overly complicated solutions to our problems. This could be because our perception is that the problem itself is more complicated than it actually is. It could also be the case that we do not trust that an easier solution exists or will work, given our perceptions of that problem. It is likely both of these.

What can also happen is that these problems end up not getting solved because the perceived complexity around solutions is deemed too onerous and we “live with it.” Phrases like “that’s just how it is here” or “it isn’t worth fixing” come to mind. These situations and the resulting attitude around them do little to inspire positive change or any type of innovation around improvement.

Questioning the Perception of Complexity

There can be many reasons brought forward to substantiate the complexity of a solution. Many can and should be questioned.

For example, have you ever been involved in trying to solve a corporate-wide issue and every separate part of the organization has its own reasons for why it is a problem? For instance, let’s say that council and public are challenging the recent results in the community satisfaction survey. The public’s overall impression of their value for tax dollars has dropped for this past year. We tend to get each area having their own ideas to improve the overall numbers: public works wants to re-open the snow removal policy, the fire department wants to add several new firetrucks, the communications department wants a new social media presence to reach youth, and the list can go on and on. We then look at all of these solutions together and get anxious about the enormity of implementing all these great

ideas. The time, effort, and costs involved are likely to end up exacerbating the very issue we were trying to address – value for tax dollars.

Here is one instance in looking into nudge theory as an option. It turns out that upon looking at the previous several years of data, the single biggest influence on the value for tax dollars happened to be the weather. The survey questions are asked at the same time every year (good for consistency). And are asked in January, so as to capture a year’s worth of services provided and get an overall impression from citizens. Sounds legit – right?

Well, in fact, these two variables in the survey are the reason for the angst being felt by the council of the day. It turns out that during the two-week period in January when the survey was open to the public there were two major snowfalls one after the other. Looking at previous years’ data, every single dip of any significance happened when snow events coincided with the survey being open to the public.

What is a “nudge”?

A nudge as defined by Wikipedia is “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.”

Therefore, applying nudge theory in this instance could look something like this. When sharing the data with council and the public a small preamble might accompany the results explaining the environment in which the survey data was collected and perhaps sharing a similar year comparator beside this year’s results. Council still has the same ability

to critique and compare results but are provided with a gentle reminder of some factors that may have contributed to that which they are seeing. This nudge could alter both their reaction and subsequently our response dramatically – while at the same time foregoing the multitude of proposed solutions from different areas and the internal strife and struggles that go with lobbying for your solution.

Municipal Challenges and Occam's Razor

A municipality is a complex system. There are many working parts to it. There are also many interconnected relationships, biases, mandates, and personalities. As a result, the cultural bias and response within this system often defaults to a complex answer involving absolutely every part of the system, trying to consider every nuance to a situation and to consider every possible outcome. Perhaps this is an effort to massage any egos that exist? Perhaps it is intended to substantiate the worth of every part of the system?

For whatever reason, we often do not consider that the concept of Occam's razor might just apply for us. Occam's razor for the purposes of this article can be explained as "If you have two equally likely solutions to a problem, choose the simplest." (See "What is Occam's razor?" – original by Philip Gibbs in 1996, updated by Sugihara Hiroshi in 1997.)

Application in Area of Tax Collection

Another instance where a nudge may want to be considered and has been used successfully already is in the area of tax collection. One of the issues faced by

departments like assessment and taxation is what is commonly referred to as a "tax gap." An article by William G. Gale and Aaron Krupkin defines a tax gap as "the amount of taxes that are owed but are not paid in a timely or voluntary manner." This tax gap leads invariably to tax write-offs for those that then go on to be uncollected or somewhat more preferable to more aggressive and costly ways to collect these taxes such as collection agencies.

How might a nudge work here?

A municipality is likely to have tax collection data going back several years. My research into the data suggests that the vast majority of taxpayers pay their taxes in full and on time. For arguments sake, let's use the figure 95 percent. The assessment and taxation department that sends out tax notices now includes an information sheet that explains where their taxes are allocated in the municipal budget – a narrative on what they receive for their taxes. (Remember the previous value for tax dollars question?)

What this notice should perhaps also include is a rousing thank you to citizens for being 95 percent compliant on paying their taxes in full and on time. This is an easy addition, as the notice is already being sent out and we are merely adjusting or adding to the narrative. The taxpayer may still choose to pay late, but this easy nudge may in fact have the positive outcome of motivating some to make the right decision and pay in full and on time. The nudge could also be a bit more of a "shove" if the message went on to explain that paying taxes in full and on time saved the municipality "X" amount of time and dollars on future collection efforts as well as saving "X"

dollars in penalties. One might decide to send this more forceful message to a certain taxpayer – one that is non-compliant year after year – versus everyone else.

Nudge Innovation in Action

There are a number of successful nudge examples that exist. For the tax collection example, nudge tactics were used and tracked in the U.K. in 2011 and 2012. Two hundred thousand late filers were sent letters similar to those explained earlier. Over a 23-day trial period, tax collection revenue increased by 4.9 million pounds sterling in year one and 9 million pounds sterling in year two as a direct result of these targeted nudge letters being sent.

Another very practical example and perhaps the most famous of the nudge efforts occurred in the Amsterdam airport. The problem they were facing was "spillage" in the men's facilities around urinals. The problem was getting increasingly worse and cleaning costs were becoming an issue that needed to be addressed. The cleaning manager of the day came up with the idea to introduce a target for men to aim at. He settled on etching a photorealistic image of a fly in the urinals. Lo and behold it worked – spillage reduced by an astonishing 80 percent and resulted in a near 10 percent reduction in the overall costs to clean the facilities.

Municipalities should be applauded for some of the innovations they have championed. Many recycling improvements can be attributed to looking at their operations and trying to get better. I wonder: if more of the nudge theory tactics were applied in this innovative culture, might we see even more efficient solutions being found than ever before? **MW**

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